

BULLETIN

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BUSINESS HISTORICAL SOCIETY

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THOMAS R. NAVIN, SECRETARY, BOSTON, MASS.

The Early Business History of Four Massachusetts Railroads—IV

VI. THE FIRST RAILROAD RATES

At first, the early Massachusetts railroads did not fix the passenger and freight rates on the basis of any theoretical rate-making formula. Instead, they met the competition of wagons and stages and, where necessary and possible, the steamboats.⁸¹ The railroad directors wanted to assure the stockholders reasonable and regular dividends, but I have seen no evidence that the directors expected to maximize the profits, even within the limits of the charters. Only an occasional director was willing to risk the possibility of greater profits by experimenting with extremely low rates on the theory that really cheap, improved transportation sufficiently increases the demand for transportation to justify the lower fares.

⁸¹ When circumstances such as competition rather than studies of cost differentials are the basis, one may say that there is no consideration of any rate-making theory. E.g., see *I A T A Agreement Providing for North Atlantic Passenger Fares*, 10 C. A. B. 330, 334 (1949).

The cost computations of the early railroads generally were lump sum figures. The locomotive or train mile was frequently used as the basis for comparing costs of operating expenses. For example, the directors' minutes of the Eastern Rail Road, May 13, 1839, gives the following as the expenses of "running the trains" per locomotive mile:

Boston & Worcester R. R.	\$0.79
Boston & Providence R. R.	1.00
Boston & Lowell R. R.	1.00
Eastern R. R.	0.896
Schenectady & Utica	0.814

The directors' minutes of the Eastern Rail Road of January 22, 1841, give \$0.691 as the locomotive mile cost and allocate the following items as factors: maintenance of way and road repair; repairs of engines and cars; fuel; office establishment, salaries, etc.; train expenses, except oil, and certain wages; oil, packing, etc.; brakeman and engineman wages; and a merchandise-train factor to adjust the fact that merchandise cars usually were carried on passenger trains.

The records of the Boston & Lowell, Eastern, and Andover & Wilmington railroads are deposited at the headquarters of the Boston & Maine Railroad in Boston. The records of the Western and of the Boston & Worcester are deposited in Baker Library, Harvard University.

The Massachusetts charters permitted the directors to specify such rates as they should agree upon except for one restriction. If the net income for a ten-year period amounted to more than 10 per cent per annum of the cost of constructing the railroad, the legislature could take measures to alter and reduce the rates in such manner as "to take off the overplus" for the next ten years.

1. *The Directors' Attitude on Rates and the Rate Level*

There are several statements during the first decade showing the attitude of the directors about the rates that should be charged. The most detailed is the following which was made by the directors of the Boston & Worcester Rail Road in 1840:⁸²

The determination of the rates of fare and of freight has been a subject of much consideration. The Directors of this, and of the other roads, have proceeded upon the principle that the adoption of low rates of fare and freight, was a policy called for, not only by the just expectations of the public, but by the interest of the stockholders. The public have a right to expect that the conductors of these costly works, in regulating the rates of compensation for the accommodation afforded by them, should fix that rate at the lowest point, which is consistent with a satisfactory assurance of the best permanent income. But so long as rates are established, which are lower than the cost at which similar accommodation could be obtained therefrom, is not greater than the just and reasonable rate of profit to which the stockholders are limited by their charter, the public cannot reasonably expect that they should be placed lower than the point which, after taking into consideration every reasonable prospect of an increase of business, will be likely to afford the largest ultimate, and permanent income, within the limits here designated.

It becomes therefore a question of much difficulty, resting not upon any fixed and known general principle or rule of calculation, but upon a careful examination and comparison of a variety of circumstances in the particular case, to determine the point below which it would be impolitic, and even ruinous to go, in reducing the rates of fare and freight, below the cost of other modes of competition, in the expectation of an increased income, from an increased amount of business. . . .

At the time that the Western Rail Road established its first rates, the members of the rate committee declared that they were proposing "such rates as would be satisfactory to the public, believing that the first object of every railroad corporation, and especially of the . . . [Western], should be to satisfy the traveling community."⁸³ On a

⁸² *Report of the Directors of the Boston and Worcester Rail Road to the Stockholders . . . 1840* (Boston, 1840), pp. 5-6.

⁸³ Document 25, August 6, 1839, in Clerk's File of Western Rail Road.

related subject concerning a request for another local stop on the Boston & Lowell, Patrick Tracy Jackson declared: "I do not admit the claim of Mr. Jarvis and others, that they as a part of the public, are entitled to use our road for transportation, unless they can show that they can give us custom enough to pay the expenses with a reasonable profit."⁸⁴

The first directors were of one mind on what the general rate level should be. They had little if any experience in transportation but they were aware that stockholders wanted dividends and that as the roads were constructed costs usually exceeded the first estimates.

It was natural for the early railroad directors to adopt the attitude that rates should be only slightly less than those charged by stage and wagon companies—generally not more than one-third less. Surely, they reasoned, a new form of transportation providing better service for a lower rate than the older form of transportation meets whatever obligation the railroad has to the public. Also, would not lower rates reduce the "net income" or traffic receipts and lower the dividend payments, usually a mere 6 per cent and never for the roads in this study, over 8 per cent? Rails, sleepers, and sills, as well as locomotives and cars, had to be repaired or replaced. Depot buildings soon needed to be enlarged. Small communities clamored for way stations and branch lines. Furthermore, cost accounting was not yet developed to present-day standards of usefulness. References to the ton-mile cost figures of the Baltimore & Ohio Railroad of 1832 are misleading because these figures were based on very optimistic estimates.⁸⁵ Bonds could not be used to spread development costs because the Commonwealth of Massachusetts at that time prohibited railroads from issuing bonds.

2. Passenger Rates

More important than their statements of their attitudes were the actions of the early directors. It is appropriate, therefore, to trace the development of the rate structure and the trend of the rate level. The early rates of the Boston & Worcester have a special interest for the historian. They were the first railroad rates in New England and they were accepted without criticism until 1839: It will be recalled

⁸⁴ Directors' Minutes of Boston & Lowell Rail Road, January 14, 1836.

⁸⁵ Cf. *Report of the Directors of the Boston and Worcester Rail Road . . . January 18, 1833 . . .* (Boston, 1833), pp. 21-23.

that regular passenger service commenced on April 16, 1834, and that the board, after prolonged discussion, temporarily left rates and other matters to a committee of Nathan Hale, Eliphelet Williams, and David Henshaw. Much earlier, however, the incorporators and the directors had expressed their opinion in print. The prospectus, issued before the company was organized, figured the traffic potential on the basis of a proposed passenger fare of \$1.50 between Boston and Worcester. Stage coaches were charging \$2.00. The volume of freight was estimated on the basis of a rate of \$3.00 a ton between the terminals,⁸⁶ about three-sevenths of the charge made by wagoners. One year later, the directors reported to the stockholders that the rates were yet to be decided, but for the purpose of estimating the income to be expected they assumed the passenger fare between Boston and Worcester would be \$1.25 and freight would be \$2.50 a ton.⁸⁷ At a special meeting in January, 1833, David Henshaw spoke at some length to the stockholders, comparing the rates and traffic of the Baltimore & Ohio with those of the Boston & Worcester. The Baltimore & Ohio was operating 58 miles at that time and charging \$3.25 a gross ton. For the Boston & Worcester that would mean a rate of \$2.41 a ton between Boston and Worcester. He also pointed out that the Baltimore & Ohio "estimated" the locomotive cost of moving freight would be $\frac{1}{4}$ to 15/16 cent a ton mile. In addition, there would be the cost of cars and "contingencies" making the total ton-mile operating cost at least one cent. Henshaw went on to say that on such a basis the cost per ton between Boston and Worcester would be not over 50 cents whereas the price proposed to be charged was \$2.50. He used this argument to encourage the doubtful stockholders that the Boston & Worcester stock was a sound investment.

Actually, the Boston & Worcester did not commence with the anticipated rate of \$1.25 for passengers and \$2.50 a ton for "general merchandise." (Different rates for various kinds of freight will be explained below.) At first, passengers were charged \$1.50 for the trip between Boston and Worcester, being a rate of 3.38 cents a passenger mile. In November, 1836, after 16 months of experience, the fare was increased to \$2.00, or a rate of 4.51 cents a mile. The former lower fare of \$1.50 was adopted in April, 1839, President Hale

⁸⁶ A prospectus dated July 4, 1831, and filed in the Corporation Records Division of Baker Library, Harvard University.

⁸⁷ *Report of the Directors of the Boston and Worcester Rail Road Corporation to the Stockholders . . .* (Boston, 1832), pp. 19-20.

championing the change. Meanwhile, the freight rate level on the Boston & Worcester did not materially change during the 'thirties; "general merchandise" was carried from Boston to Worcester at \$3.50 a ton, and from Worcester to Boston at \$3.00, apparently less than the wagoners charged in the late 'thirties and early 'forties.⁸⁸ There was a general decrease in the rate level of all railroads in the 'forties.

The first-class passenger fares on the several early Massachusetts railroads were below the average fare for the United States as shown in the following table.

TABLE I
FIRST-CLASS PASSENGER FARES

Railroad	Between Stations	Miles	Date	Fare Per Mile
B & W	Boston-Worcester	44.34 ^a	1835-36	3.38¢
B & W	Boston-Worcester	44.34 ^a	1836-39	4.51¢
B & W	Boston-Worcester	44.34 ^a	1839-40's	3.38¢
B & L	Boston-Lowell	26	1835-40's	3.84¢
Eastern	Boston-Salem	14	1838	3.57¢
Eastern	Boston-Portsmouth	54	1839	4.2 ¢
B & P	Boston-Providence	41	1839	4.9 ¢
All Railroads in U. S.—Average			1839	5.0 ¢

^a Sometimes given as 43¼ or 44 miles.

SOURCES: Minutes of the several railroads; Committee Report No. 25, dated August 6, 1839, in The Clerk's File of the Western Rail Road.

A second-class passenger fare, priced at 75 per cent of the first-class fare, was established on the Boston & Worcester one year after the opening of the road. The other roads followed as they commenced operations. The second-class cars were for the "laboring people and for such persons as complain of their inability to pay full price."⁸⁹

Season passenger tickets were requested by a few users on the roads running into Boston. Some men of considerable means and living in nearby towns or in Boston traveled so frequently between places as Boston and Worcester and Boston and Salem that from a user's point of view a season ticket was desirable. In 1837, the Boston & Worcester denied the request of one patron for a season ticket on the

⁸⁸ See *Report of the Directors of the Boston and Worcester Rail Road to the Stockholders at their Ninth Annual Meeting, June 1, 1840* (Boston, 1840), p. 6.

⁸⁹ Directors' Minutes of Boston & Worcester Rail Road, March 10, 1835.

ground that if they granted it to him others would apply and it would mean a separate contract with each new customer at a reduced rate of fare.⁹⁰ The demand was such, however, that the Boston & Worcester reversed its position within the next year or two, but not until 1841 were season tickets advertised as available to anyone between Boston and Worcester. The directors of the Eastern Rail Road, after considerable discussion, also adopted annual season tickets.⁹¹

Another form of reduced passenger fares was the children's ticket. The Eastern set special rates for children in 1840. In general, the railroads at that time only reluctantly used special or reduced fares for passengers; low fares were not initiated to stimulate business. The Eastern Rail Road was an exception.⁹²

3. Freight Rates and Freight Classification

On the other hand, the early railroads were definitely interested in adjusting freight rates to get more business. It was a reasonable attitude; railroads had good passenger business and most of their revenue came from passenger service, but freight service needed to be cultivated. Some railroad officials solicited freight traffic, but the evidence is meager. Apparently, the chief method of increasing freight traffic was to offer attractive rates which led to a variety of rate quotations.

Classification of freight evolved out of the necessity of quoting rates for different articles to be transported. Because of the need of using the classification terms in describing the early rates it is con-

⁹⁰ *Ibid.*, June 20, 1837.

⁹¹ Directors' Minutes of Eastern Rail Road, April 5, 1839; June 11, 1841. At first, Eastern set a single price for a nontransferable annual season ticket. In 1841, Eastern offered a second type of ticket, being a package of 100 to 600 tickets, nontransferable, at prices varying with the number of passages purchased. A package of 600 tickets was sold at a discount of 50 per cent of the single ticket. Elias H. Derby in the *Boston Atlas*, August, 1839, and reprinted in the *Proceedings of the Annual Meeting of the Western Rail-Road Corporation, March 12, 1840*, pp. 41-56, stated that the Eastern's passenger fares were very low. He had in mind the season tickets for commuters to Boston. His statement that Eastern earned 10 per cent dividends, at the same time, is erroneous. Eastern's dividends were 5½ per cent in 1839, 2 or 2½ per cent in 1840, 6 per cent in 1841, and 6 per cent in 1842. See Joseph G. Martin, *Twenty-One Years in the Boston Stock Market* (Boston, 1856), pp. 44-45; and the Directors' Minutes of the Eastern Rail Road.

⁹² Directors' Minutes of the Eastern Rail Road, April 5, 1839; June 11, 1841.

venient at this point to explain some of the early terminology of general merchandise, second-class, and excepted rates.

General merchandise referred to any and all freight, regardless of the quantity shipped, except for certain articles that received different rates. (Today, general merchandise usually refers to less-carload-lot freight.) In effect, the early general merchandise constituted first-class freight, but the term first class was not used in the beginning.

The term second class appeared in a Boston & Lowell tariff of 1843 and in a Boston & Worcester tariff of 1845.⁹³ Both railroads used second class as a lower rate for the larger shipments. Thus, the rates expressed in dollars per ton, on the Boston & Lowell were:

Classification of freight	Lowell factories and other railroads	To all others
General merchandise	\$1.50	\$2.00
Second class	1.25	1.50

The Boston & Lowell designated any freight as second class if the shipments were over 1,000 pounds. The Boston & Worcester introduced the term second class in 1845 to apply only to certain articles shipped in lots of three tons or over. However, this was not the beginning of such rates on the Boston & Worcester, as will be shown below; most of the articles moving as second class had been listed in the tariffs as early as 1834 as "excepted from the above tariff."

The development on the Boston & Worcester represented progress in freight classification. In 1837 nearly every article "excepted" from the rate applying to general merchandise had a separate rate. (See the tariff of 1837 reprinted below.) In the 1845 tariff the rate for second class was listed as \$2.00 per ton between Boston and Worcester, in contrast to the \$3.00 rate for "merchandise generally." Second class was defined as including such articles as iron, cotton, bran, charcoal, cheese, crockery, dried fish, bag grain and sugar, each of which had to be shipped in lots of three tons or more. Other articles in the 1845 tariff, such as flour, received still different rates, called "special rates." Livestock also came under special rates, but instead of having a separate quotation, the first-class (general merchandise) or

⁹³ Directors' Minutes of Boston & Lowell Rail Road, June 24, 1843; Boston & Worcester (broadside) tariff, April 1, 1845, filed in Baker Library, Harvard University.

second-class rates applied, depending upon the size of the shipment. What really occurred, therefore, was that the articles given different rates and excepted from the general tariff became so numerous that many of them were grouped together in the Boston & Worcester tariff of 1845 as second class. The remaining articles continued with "special rates."

Meanwhile, the Norwich & Worcester Rail Road quoted "specific rates" in its tariff as 15 per cent less than the general merchandise rates, the general rates applying to shipments of 100 pounds or more, and the specific rates applying to named articles in 10-ton lots or more. In the 1845 joint tariff of the Norwich & Worcester and the Boston & Worcester railroads, there were general merchandise, second-class, and specific rates. The evolution of the specific rates on the Norwich & Worcester seems to have been similar to the development of special rates of the Boston & Worcester. The Western followed the terminology of the Boston & Worcester when it opened its road for traffic in 1839. The Eastern contracted its freight traffic and set only one rate on a ton basis.

4. *Development of the Freight-rate Structure*

From the directors' minutes and a few copies of the early freight tariffs we can piece together the general story of the directors of the Boston & Worcester Rail Road building a rate structure out of experience and necessity rather than by any particular theory or suggestions from other sources. When the Boston & Worcester opened the first portion of its line for freight service as well as passenger service in 1834, there were no other railroads operating in New England to suggest precedents. Perhaps the main factor that interested the small businessmen who composed the board of this road was the competition of the wagons. The first official action of the directors was simple. They set \$2.00 as the minimum rate for freight between Boston and Hopkinton Factory, a distance of 25 miles. The superintendent was instructed to decide the kind of freight that should be accepted at the \$2.00 rate. He was to "bargin" with the shippers but never to charge less than \$2.00. Also, no reductions were permitted for shipments totaling less than one ton. A few weeks later the board instructed three of its members to use their own judgment and set the rates.⁹⁴ Apparently no detailed rate schedule resulted.

⁹⁴ Directors' Minutes of Boston & Worcester Rail Road, September 22, 29, 1834; October 27, 1834.

The next spring, the board voted that \$2.00 would be the rate per ton between Boston and the temporary end of the line in Westboro, a distance of 30 or 35 miles. Again the superintendent was instructed to designate the kind of freight that would be accepted at that rate.⁹⁵ A paper maker in Hopkinton wanted a special rate but his request was referred to a committee of the directors and no further action is recorded.

The first significant quantity rates on the Boston & Worcester were adopted in 1837. In February the firm of Grant and Leaver requested lower rates but the board denied the request. A month later, however, the board instructed three of its members to inquire about making any change in the freight rates, "either generally or in particular cases" and to report to the board. This led to the reduction of rates for 20-ton shipments of coal, lumber, lime or plaster on May 16. For some reason, the board suspended these rates at its meeting one week later. In August a quantity rate was agreed upon for pig iron at \$3.00 a ton from Boston to Worcester if shipped in lots of 50 tons or more, being 50 cents less than the rate for general merchandise.

On November 7, 1837, the Boston & Worcester directors adopted a tariff proposed by Superintendent Curtis. It is reprinted below and shows the variety of articles taking rates different from the general merchandise rate. At the same time, the board voted that the superintendent was authorized to receive merchandise for transportation "in special cases on terms different from those specified in said tariff when he shall deem it for the interest of the corporation, and in such case he shall make a report to the Board."⁹⁶ Likewise, he was authorized to make "bargains" in relation to the transportation of livestock in large numbers and to report his actions to the board.

It is especially significant that the Boston & Worcester had different rates for the westbound and eastbound traffic. The difference was made principally on the ground that many of the freight cars moving toward Boston were empty, there being more freight moving toward Worcester than toward Boston. A few years later the Western Rail Road followed the same practice and frankly stated that the object of a difference in the rates was "to regulate the price of freight by circumstances, so as to command the business of transportation."⁹⁷

⁹⁵ *Ibid.*, March 10, 1835.

⁹⁶ *Ibid.*, November 7, 1837.

⁹⁷ Document 25, August 6, 1839, in Clerk's File of Western Rail Road.

TABLE II

FREIGHT TARIFF

Boston and Worcester Rail Road

November 7, 1837

(Portions, as indicated, have been omitted. The complete tariff is on file in the tariff collection of Baker Library, Harvard University.)

WORCESTER

UP		DOWN	
	Per 2000 lbs.		Per 2000 lbs.
Mdse generally	\$3,50	Mdse generally	\$3,00
Coal, Plaster, Pig Iron, Sand, in quantities not less than 50 Tons	3,00	Lumber, 2000 lbs.	2,00
Flour, per bbl.	35	Shooks, Hhd. each	0,10
Lime, per Cask, 20 Tons and upwards.	37½	Tierce each	0,08
Furniture, per Car, at owner's risk.	9,00	Bbl. "	0,05
Oil of Vitriol and similar Acids, per Car, at owner's risk.	9,00	Furniture, per Car.	7,00
1 Horse or Ox	4,00	1 Horse or Ox	3,00
2 Horse or Ox	6,00	2 Horse or Ox	5,00
3 Horse or Ox	8,00	3 Horse or Ox	6,00
Cows, Sheep, Hogs, Calves, &c. per Car	8,00	Cows, Sheep, &c. per Car	6,00
Chasie, Sulkey, Dearborn	4,00	Chasie, &c. per Car	3,00
Coach, Omnibus, or Waggon	5,00	Coach, &c. &c.	4,00
Do. if sent on a Car of Coal or Iron, &c.	4,00		

MILLBURY.

Same rates as above.

GRAFTON.

[Omitted]

WESTBOROUGH.

[Omitted]

SOUTHBOROUGH.

[Omitted]

HOPKINTON.

[Omitted]

FRAMINGHAM.

[Omitted]

All other Depots towards Boston, same rates as Framingham for Mdse generally.

NATICK, Coal, &c. per 50 Tons	1,38	NEWTON, Coal, &c. per 50 Tons.....	0,84
NEEDHAM, Coal &c. per 50 Tons.....	1,08	ANGIER'S CORNER, Coal &c. per 50 Tons.....	0,72

WHARFAGE

To be charged in addition upon all goods landed upon the RAIL ROAD WHARF, or shipped thence.

[Omitted]

STORAGE

To be charged on goods not removed from the Depots within Six Days

Midze extra bulky and light, such as Casks of Teasles, Feathers, Bales of Domestic Wool, and small packages, to be charged higher.

Cargoes of Coal, Plaster, &c. are to be received by the owners at the Bills of Lading, and the Corporation will not consider itself obliged to verify the weight, except for its own convenience.

Gunpowder, Friction Matches, and similar combustibles, not taken on any terms.

Goods should be sent to the Master of Transportation, with a *bill of lading* and receipt prepared ready for signature, as the Company will not be responsible for any merchandize or effects, unless the same be receipted for by its agents duly authorized, nor for any loss or damage not occasioned by their negligence.

No agent of the Company is authorized to take charge of any Bank Notes, or other valuable papers.

Cargoes will be received at the Rail Road Wharf, but smaller quantities must be delivered at the Depot Storehouses.

November 7, 1837.

J. F. CURTIS, *Sup't.*

This acknowledgment, together with the use of second-class passenger fares, illustrates that rates were not based solely on cost of service but upon what the traffic will bear.

In the latter part of November, 1837, the Boston & Worcester issued rates on 50-ton shipments of coal to various stations between Boston and Worcester. When reduced to ton-mile rates, they reveal the use of the tapering principle. For example, the rate was 6.79 cents a ton-mile for coal shipments from Boston to Worcester, 6.9 cents to Natick, 7 cents to Needham (now Wellesley), and 12 cents to Brighton.⁹⁸ The increase in rates reflected the factor of terminal costs, an accepted method of making rates.

⁹⁸ Directors' Minutes of Boston & Worcester Rail Road, November 28, 1837.

A few months later, in March, 1838, Robert Earl (or Earle), a "trader" in Worcester, asked the Boston & Worcester Rail Road for a "season ticket," which meant a contract to ship certain items at a reduced rate for a specified number of months. The directors studied the proposition and agreed to accept rates lower than the prevailing rates for the shipment of flour, lime, and plaster by Earl, providing the whole amount each month would be at least 100 tons. The arrangement was not to continue longer than nine months.⁹⁹ Near the end of the term, Earl and his partner, Brown, pressed for a new contract with lower rates. After rejecting the request twice, the board announced that anyone could ship flour, lime, and plaster from Boston to Worcester on the same terms previously granted to Earl. A few months later, these arrangements were changed so that a shipper could use the lower rates on these items if he shipped a total of 900 tons within a period of nine months. There was no minimum within any one month. Within a few weeks the directors voted to reduce the price of the "season ticket" by 10 per cent for Robert Earl and George Denny.¹⁰⁰

Other "traders" requested lower rates. The Boston & Worcester directors consented and gave clay in barrels the same rate as coal, and lower rates to three-ton shipments of shoe leather and ploughs. In the spring of 1840, several traders of Worcester presented a joint request for lower rates and the railroad agreed to a \$3.00 per ton rate for grain and salt in carload lots. Also, the other quantity rates below the \$3.50 general merchandise rate were to apply to single carload shipments.¹⁰¹ This type of rate change continued and by 1845 the Boston & Worcester established a second class of freight as mentioned above, permitting most of the quantity shipments to go at \$2.00 a ton between the two terminals.

The freight rates of the other roads in this study were generally comparable with those of the Boston & Worcester Rail Road when the precise services are considered. The variations were largely the result of the types of goods carried, the interest of the shippers, and the competition from other forms of transportation. Table III compares the general merchandise freight rates for the 1830's. As far as

⁹⁹ *Ibid.*, March 20, April 17, 1838. The rates were flour at 30 cents a barrel, lime at 35 cents a cask, and plaster at \$3.00 a ton.

¹⁰⁰ *Ibid.*, December 12, 26, 1838; January 23, March 13, May 1, 1839.

¹⁰¹ *Ibid.*, May 1, September 9, 1839; May 4, 1840.

I know the Boston & Lowell did not develop an extensive list of exceptions to the general merchandise class similar to the Boston & Worcester Rail Road. Instead, the Boston & Lowell used a second class of freight for the shipments of large quantities and granted an even lower rate to the Lowell factories and to connecting railroads. The lower rate to the factories and other railroads was a line-haul

TABLE III.
FREIGHT RATES FOR GENERAL MERCHANDISE

Railroad	Between Stations	Miles	Date	Ton-mile rate	Remarks
B & W	Boston-Hopkinton's Factory	25	1834	8¢	Minimum
B & W	Boston to Worcester	44.34	1835-39	7.89¢	Westbound only
B & W	Worcester to Boston	44.34	1835-39	6.79¢	Eastbound only
B & W	Boston to Worcester	44.34	1845	6.79¢	Both directions
B & L	Boston-Lowell	26	1835-43	7.69¢	Both directions
B & L	Boston-Lowell	26	1843	5.77¢	Both directions
Western	Worcester to Springfield	54.16	1839	7.39¢	Westbound
Western	Springfield to Worcester	54.16	1839	6.46¢	Eastbound
B & W and Western	Boston to Springfield	98.5	1839	6.64¢	Westbound; joint rate
B & W and Western	Springfield to Boston	98.5	1839	5.51¢	Eastbound; joint rate
Eastern	Boston-Salem	14	Jan. 1839	10.71¢	Price for line-hand
Eastern	Boston-Salem	14	Sept. 1839	7.79¢	service to contractors
Eastern	Boston-Lynn	9	Sept. 1839	8.33¢	See below, next paragraph.

SOURCES: Minutes of roads concerned; Committee Report No. 25, dated August 6, 1839, in Western Rail Road file.

rate; the Boston & Lowell did not furnish the terminal services for that rate. One cannot be very definite in comparing rates for any one class of freight, such as general merchandise. There was a difference in the items classified as general by the several roads and the available records are inadequate to make complete comparisons.

There is one comparison between the Boston & Lowell and the Boston & Worcester that shows the nature of the problem and the possible misinterpretation that may be made. Table III shows that

the Boston & Lowell lowered its general merchandise rate to 5.77 cents a ton-mile in 1843, whereas the Boston & Worcester held to its figure of 6.79 cents. On the other hand, the Boston & Worcester set its second-class rate at 4.5 cents in 1845, whereas the Boston & Lowell charged 4.8 cents to the Lowell factories and other railroads and 5.77 cents to other carriers for second-class freight. Until more light is revealed on the rate structure of the early railroads and the volume of business transported under the various rates, the attempts at comparisons can be only suggestive.

The Eastern Rail Road directors chose to contract all their freight business to a few individuals. David Merritt received a contract for the transportation of all freight between Salem and Boston in January, 1839. The railroad furnished the buildings, train, train crew, and the ferriage at East Boston, the end of the Eastern's tracks at that time. Merritt furnished all other labor, assumed all risks and responsibilities, and paid by the ton each week. The contract at first ran only for four months and then was renewed every six months. Other individuals held contracts for freight service between the other towns on the Eastern's line. The prices were comparable with the general merchandise rates on the other railroads, considering the short distances. However, the contractors paid only for line-haul services. On that basis one might be able to compare the Eastern rates with the second-class freight of the other roads, in which case, the Eastern rates appear quite high. Nevertheless, the Eastern directors felt that the merchandise transportation was unsatisfactory and as late as 1843 they saw no way to increase the small amount of revenue. Steamboat competition was severe and apparently left the railroad only with shipments of less-carload-lot freight even though it was handled by contractors. Furthermore, the general depression of all kinds of business in the late 'thirties and 'forties added to the difficulties arising from competition.¹⁰² The Eastern's choice of contracting the transportation of freight suggests that Merritt and the other contractors were forerunners of our current freight forwarders.

The earliest form of less-carload-lot freight referred to in the company records of the Boston & Worcester appears in the tariff on August 7, 1838. It states that general merchandise in lots of less than

¹⁰² Directors' Minutes of the Eastern Rail Road, January 18, March 5, May 13, July 1, September 28, October 9, 1839; March 27, December 9, 1841; January 16, 1843.

one half of a ton cost 16 $\frac{2}{3}$ cents per 100 pounds or 7 cents per cubic foot between Boston and Worcester.¹⁰³ On the basis of weight this fell between the rates quoted for the eastbound and for the westbound general merchandise.

There is not much detail on the express business in the minutes of the railroads in this study. The evidence shows that a number of different individuals made contracts with the railroads for express service and that the railroads did not make any serious effort to develop the business themselves. This was contrary to the evolution of the railroad express business in France and England. The lack of early interest on the part of American railroads led to a confused situation in the 'seventies and 'eighties when there was an extremely large number of express companies, many of them irresponsible.

To examine the beginnings of railway express in Massachusetts is to note the movement of packages on the trains. The Boston & Worcester minutes of January, 1836, refer to one David T. Brigham of Worcester who arranged to send an employee with a box each day to Boston. Since other individuals did not have enough business to send a man to Boston, the conductors performed a small express service, thus adding to their salaries. Some of the passengers sought to use the free baggage privilege to carry items suitable for express but the Boston & Worcester put a stop to the latter practice in 1838 by charging a high price for "small freight" offered as baggage and exceeding the 40-pound limit per passenger. The Boston & Worcester offered to carry the "small freight" at 33 $\frac{1}{3}$ cents per 100 pounds or 16 $\frac{2}{3}$ cents per cubic foot, whichever would be the higher. Such "small freight" was carried in the baggage car. The rate was about twice the rate for less-carload-lot general merchandise carried in freight cars and for that reason it would seem that the "small freight" was a forerunner of the package express.¹⁰⁴

Meanwhile, certain individuals, such as Babcock, Chamberlain, and Rowson, located along the Boston & Worcester Rail Road, had their own cars which the railroad hauled. These men transported

¹⁰³ Directors' Minutes of the Boston & Worcester Rail Road, August 8, 1838.

¹⁰⁴ *Ibid.*, January 18, 1836, August 7, 1838. Cf. Boston & Worcester tariffs of November 7, 1837, and October 1, 1839, in the broadside collection at Baker Library, Harvard University.

milk and produce and possibly other items of a perishable nature demanding a specialized express service.¹⁰⁵

In the fall of 1839, the Boston & Worcester directors decided to contract the express service and prohibit the conductors from doing such business personally.¹⁰⁶ Several small express companies thereby commenced business over the Boston & Worcester and its connecting railroads during the next two years. W. F. Harnden, said to be the first expressman who handled the business on a contract,¹⁰⁷ at one time was a ticket seller in the Boston depot of the Boston & Worcester. He had commenced in a small way to sell refreshments and carry packages, and eventually held the contract for Boston-Albany service over the Boston & Worcester and the Western roads. Samuel S. Leonard handled the business between Boston and Worcester. The Adams Express held the contract for the Boston-New York service, using the Boston & Worcester and the Norwich & Worcester railroads and a steamboat. On the Eastern Rail Road, the same story was repeated by Hale and Company. The records of the Boston & Lowell for this period do not mention express companies.

5. *The Beginnings of the Argument over Western's Rates*

In the 'forties there is another chapter in both passenger and freight rates. There was some competition between the railroads, severe competition between certain railroads and water transport companies, and a general decrease in the rate level. A few self-appointed representatives of the public and of the stockholders wrote heated articles about the rate policies of the railroad directors. Since the beginning of that debate commenced in 1839 as far as the Massachusetts railroads are concerned, I will describe the occasion as it first existed but will not trace the development of the 'forties in this paper.

The Western Rail Road directors assigned the task of preparing a rate tariff to a committee in the summer of 1839. The road was about to open its track for business between Worcester and Springfield, thereby offering 98.5 miles of continuous service between Boston and Springfield using joint rates with the Boston & Worcester. The

¹⁰⁵ Directors' Minutes of Boston & Worcester Rail Road, February 27, July 31, August 14, September 25, October 2, 1838.

¹⁰⁶ *Ibid.*, August 7, September 9, 1839.

¹⁰⁷ Harnden's contract is in the office of the Railway & Locomotive Historical Society, Baker Library, Harvard University.

committee of Charles Hudson, Josiah Quincy, Jr., and Thomas B. Wales reported on August 6. The tariff that they recommended was adopted, subject to a few modifications to be made by Engineer (Superintendent) Whistler and Agent Bliss.¹⁰⁸ A contract with the Boston & Worcester for the interchange of business on the basis of these rates was drafted and eventually accepted by both roads. The Boston & Worcester was willing to accept 3.41 cents a passenger mile while the Western received 4.2 cents, but compared with other roads the Western rate was not too high. The committee anticipated the need of lowering passenger fares at a later date when competition would develop for the New York City trade from the Norwich & Worcester Rail Road, soon to make an arrangement with the Boston & Worcester Rail Road and with a steamboat company for interchange of business. The Western committee explained that "it is much easier to reduce than to raise the fare. Once let the fare be put low and the public will murmur if you raise it, even if the enhanced price be reasonable in itself. But if you put the fare too high, the public will be satisfied with a reduction though the reduced price may be a little exorbitant."¹⁰⁹

For the through freight between Boston and Springfield, rates were set at \$6.50 a ton eastbound and \$5.50 westbound, or at a rate of 6.64 cents and 5.56 cents a ton mile, respectively. These rates were low compared to way freight in order to meet steamboat prices between Boston and Springfield. Between the cities of Boston and Worcester, the Boston & Worcester Rail Road charged 7.9 cents a ton mile for eastbound freight. The Western chose to charge a rate of 7.39 cents a ton mile for eastbound freight between Worcester and Springfield. The rates for shorter distances were slightly higher because of costs of loading and unloading and because of the absence of water competition.

The Western tariff appeared too high to Elias H. Derby, one of the stockholders. Determined to change the directors' decision, he wrote a series of essays in the *Boston Atlas*,¹¹⁰ insisting that the railroad rates should be lowered and comparable with steamboat rates, arguing

¹⁰⁸ Documents 25 (August 6, 1839) and 32 (September 27, 1839), in Clerk's File of the Western Rail Road.

¹⁰⁹ Document 25 (August 6, 1839) in Clerk's File of the Western Rail Road.

¹¹⁰ Reprinted in the *Proceedings of the Annual Meeting of the Western Rail-Road Corporation*, March 12, 1840, pp. 41-56.

that lower rates would bring sufficient increase in the volume of business. Nathan Hale replied in his newspaper, the *Boston Daily Advertiser*, maintaining that Derby did not speak from railroad experience and that references to low rates in Belgium made by Derby had no bearing. The argument continued for a number of years. Derby gathered enough votes from the stockholders to become a director and forced a reduction in rates by 1843. The net income of the Western did not mount as Derby had forecasted, however. The stockholders deserted Derby and the board raised the rate level. A complete analysis of the rate policy of the Western and the difficulty of arranging joint rates with the Boston & Worcester would add considerably to the early history of railroad rates.

6. *The Rate-making Factors Used in the 1830's*

By way of summary it is illuminating to compare the factors considered in rate making on these roads in the 1830's with factors on which rates are based today. To what extent, then, did the early railroads used the factors accepted today? Using Dean Knorst's list¹¹¹ as a check list, I have found the following to be the situation at the beginning of the early Massachusetts railroads:

1. Cost of service to the railroad, as would be expected, was an important factor and recognized as such. Undoubtedly, the directors aimed to see that each commodity was not carried for less than the cost of service, although there must have been considerable guessing.

2. The value of the service to the shipper may have been considered although I found no actual evidence. Apparently, the factor of competition (see number 13, below) was controlling.

3. The value of the article was sometimes used. It would appear that this was a factor in the rate on acid.

4. The rate for acid likewise illustrates the factor of the nature of of the article, whether crude or finished, liquid or dry, etc. Furniture and lumber are other illustrations.

5. Risk in handling the article apparently was not considered a rate factor to any significant extent. No special risks were accepted by any railroad beyond loss from fire caused by locomotive engines or by gross negligence on the part of railroad employees. The Boston & Worcester Rail Road, at least, provided that the railroad would not

¹¹¹ William Knorst, *Transportation and Traffic Management* (Chicago, 1947), vol. i, p. 260.

assume any loss for more than \$200 for any one package unless a special agreement had been made. It was an early form of the "released rates" now permitted by the Interstate Commerce Commission only in certain exceptions.

6. The distance of the haul was definitely used in setting all freight and passenger rates.

7. The weight of the article, of course, was used from the beginning. Bulky articles naturally required higher rates per ton if the road was to carry the items at cost or above. The commodity rates took that into account. General merchandise rates were quoted on both weight and cubic feet at least as early as 1837.¹¹²

8. I have seen no evidence that special facilities or extra services were included in the rate factors in the 1830's.

9. Expense at terminals certainly was included in all freight rates and was an important reason why the Boston & Lowell Rail Road granted lower rates to the Lowell factories which took care of loading and unloading at their own factories and docks. The Lowell & Nashua Rail Road followed the same practice with the Amoskeag Mills. Another factor, of course, was the volume of traffic. On the same basis, the Boston & Lowell hauled cars of other railroads for the same rate as for the Lowell factories. Likewise, the Eastern Rail Road charged comparable rates to David Merritt and other merchandise contractors.

10. The directors definitely used the volume of traffic as a rate-making factor but the period of the movement was not a factor as far as I can tell. Lower rates for large quantities developed as shown above on the Boston & Worcester. All railroads made similar lower rates for large quantities of commodities but they did not use the present-day expression of commodity rates. Instead, the Boston & Worcester in its tariff of 1845 classified three-ton shipments of specified articles as second-class rating with a rate that was two-thirds of the general merchandise rate.

11. There is no evidence that the method of packing and protecting the article was considered in setting the rate.

12. Rates on similar articles moving under similar circumstances and conditions were not a factor at that early date.

13. Rates of competing carriers certainly were a major factor. Both

¹¹² See Table II.

passenger and freight rates were set below stage and wagon rates in order to get the business. There was some competition with water carriers. The joint rate of the Boston & Worcester and the Western railroads for the freight traffic between Boston and Springfield was set to compete with the roundabout service of the boats. The Eastern Rail Road had more difficulty in competing with the coastal boats which paralleled the Eastern Rail Road. Also, the Eastern Rail Road soon had a formidable rival in the Boston & Maine Rail Road for the traffic between Portland and Boston, but that is a chapter belonging to the history of the late 'forties and the 'fifties.

14. Competition between producing centers and markets was not a rate-making factor in Boston during the 'thirties and early 'forties.

15. Apparently the railroad directors gave some consideration to the factor whether or not a rate would be conducive to increasing the movement of an article. The owners of the new factories in the interior pressed the boards for more favorable consideration. It is reasonable to believe that they emphasized this factor to the railroads.

16. The prospect of cars being returned empty definitely was a factor in the freight rates of the Boston & Worcester and the Western railroads. A lower rate for general merchandise and most specific commodities was charged for eastbound traffic than for westbound.¹¹³ The difference was made principally on the ground that many of the freight cars moving toward Boston were empty, there being more freight moving toward Worcester than toward Boston. A committee of the Western directors frankly stated that the object of the difference was "to regulate the price of freight by circumstances, so as to command the business of transportation."¹¹⁴

VII. CONCLUSION

The purpose of this study of "The Early Business History of Four Massachusetts Railroads" was to explore, on a limited scale, the part played by businessmen in early railroad construction and operation in order to answer two specific questions: (1) Wherein does our knowledge of early railroad history need enlarging? and (2) What type of information can be gleaned from the inside manuscript records of the railroads?

¹¹³ *Idem.*

¹¹⁴ Document 25 (August 6, 1839), in Clerk's File of Western Rail Road.

There are two approaches to the question concerning the expansion of our knowledge of railroad history. The introduction of this article referred to the various types of textbooks which I found to be almost uniformly silent on the role of the individuals who were responsible for the construction and early operation of the railroads. Somebody was responsible for the beginning and early development of the largest business in nineteenth-century America, but historians have not yet developed that chapter other than the role of the inventors.

As a result of writing this article and reading other manuscript records I have concluded that, as a strong hypothesis, (1) the businessman, not the inventor, civil engineer, or any economic force, was the motivating force in starting the railroads, and (2) the businessman was a primary factor in determining the nature of the construction and early operation of the railroads. There were other factors, such as inventions, geography, population, economic demand, and national unity, but the list is incomplete without the businessman. Not until men in the business world took hold of certain inventions was there a possibility of the railroad amounting to anything. Not until businessmen worked out business organization, provided for adequate control, developed policies, and then closely supervised the everyday management was the railroad possible as a successful business enterprise, furnishing not only more rapid but cheaper transportation.

I do not make a brief for the businessman of that era as an ideal. Mistakes were made. For example, Patrick Tracy Jackson's use of stone sleepers was an error which with admirable candor he admitted to the stockholders. Also, the early depots of the Boston & Worcester proved to be too small within fifteen years. I am not aware of any scandal on the early American railroads during the first decade or two; certainly there was none on the roads in this study in the 'thirties or 'forties.¹¹⁵

The textbooks and other widely-read accounts not only slight the role of the businessman in the early years of the railroads, but they often dwell upon the questionable career of Cornelius Vanderbilt and other men known as robber barons. The impression that easily results is that businessmen made no specific contribution to the origin and early development of railroads and that the growth of this great

¹¹⁵ The treasurer of the Eastern Rail Road in 1855 admitted speculating with the company's money. See F. B. C. Bradlee, *The Eastern Railroad* (Salem, Mass., 1917), p. 55.

industry was the result of general forces and hired managers. From my research I find, instead, that the private enterprise of the individual businessman was the key to the early development of rail transportation. The extent to which this is true for the later history of the industry needs to be explored before the public drifts into a state of mind that America has nothing to lose and several possible things to gain by nationalizing railroads.

This study also shows the type of material that can be gleaned from a close analysis of the internal manuscript records of the railroads, especially from the minutes of the stockholders and directors. If this account were extended a few years, much detail could be given on the financial phase.

One of the conclusions of this exploratory article is that the directors were alert and maintained a sense of stewardship. This is a great contrast to what Adam Smith described as the situation of corporations fifty years earlier in England. Smith's observation has been recently emphasized by an article in *Fortune*,¹¹⁸ where directors' negligence is given as a contrast to the business statesmanship of the Standard Oil Company of New Jersey and other contemporary companies. If Smith was accurate, then there was considerable development as early as 1830 in the alertness and sense of responsibility of the directors of the corporations as represented by the first American railroads.

Some directors in the generation following the 1830's and 1840's did not display the admirable qualities of the earlier period and the question naturally follows of how and why this change occurred. Therefore, the first forty years of railroading need to be investigated for the background of the legislation and government regulation of the 1870's and 1880's. From the limited scope of this paper it appears that the public attitude was quite favorable in the 'thirties but that in the 'forties the public's meager knowledge of the factors of rate making helped to account for a difference of opinion that widened as the decades passed.

The development of control is especially significant. Better written records were developed to handle the problem concerning the collection of money for passenger fares and freight rates as well as to protect the railroad and satisfy the users on claims for damaged and

¹¹⁸ "Boards of Directors," *Fortune*, May, 1950, p. 107.

missing freight. The control of individuals and their actions is equally important. At first, the directors used agents and superintendents as the principal full-time officials, but reserved some of the executive powers for the president or treasurer. Eventually, the president became the chief, full-time executive, supervising the operation of the road. In this process and in the development of officialdom generally, officials were held responsible while the employees were held accountable. Authority was slowly delegated and the modern corporation took shape.

The sources used in this study do not give as much data on everyday operation as one would wish. Since the information is spotted, it is to be expected that more studies of this type will add to the knowledge of early railroad operation and eventually enable someone to give a fairly adequate composite picture of the everyday administration of the railroads in the 'thirties and early 'forties.

Although there are similarities between the four railroads, the differences are noteworthy. For that reason it seems to me that more historians should turn to the early railroads and develop a relatively unexplored phase of the history of American business. Such research projects not only would add to our knowledge of the railroad industry but would contribute much to our meager understanding of the evolution and early development of the nineteenth-century industrialist. These studies should emphasize not merely the social and broad economic aspects of business which already receive much attention from historians, but they should describe and analyze the business administration history of business.

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The Executive Mind: The Role Of Railroad Leaders, 1845-1890

The Chinese have a proverb to the effect that language is used to conceal intentions. Notwithstanding their traditional frankness, Americans have written letters designed to mislead the reader. Certainly no series of letters, whether from clergymen, politicians, or businessmen can be taken uniformly at face value. But how may statements be discounted or interpreted in such a way that one may draw the correct meaning from them?

Usually the letters of one man are used in connection with the preparation of a biography of their author or the detailed analysis of a series of his actions. In either case cumulative knowledge of the writer's idiosyncrasies, continuing motivation, and, most of all, his actions themselves provide clues to acceptable interpretations. But when one reads the letters of a large group of men engaged over the course of many years in a common occupation, all of these conventional indicators are lacking.

The sources for the study with which this article is concerned are the letters of some sixty men who were presidents or executive leaders of railroads at some time between 1845 and 1890. We¹ desired a balanced selection representing railroads and officers from each part of the country, but available correspondence files ultimately gave a disproportionate place to northern roads. Furthermore, the well-managed roads, untainted by scandal, seem to have been the ones most inclined to preserve their executive correspondence and to give scholars access to it. Consequently, our selection contains none of the letters of major roads controlled by notorious speculators. Aside from these two limitations, the hundred thousand-odd letters read have offered detailed and presumably representative information on general social and business attitudes as well as on railroad policy.

Returning to the problem of extracting reliable generalizations

¹ The "we" refers to Rosamond B. Cochran and myself, who jointly did the research for this study.

from the mass of evidence, it was obvious that our knowledge of the inner character of each of sixty men would be too superficial to be reliable, and the analysis of the action involved in each instance would lead to a shelf of histories. We were forced, therefore, either to find some new technique of evaluation or else to admit that a hundred thousand personal letters were, taken by themselves, relatively useless as historical evidence.

In searching for some defensible assumptions that would give order and meaning to statements of executives, it appeared that there were certain uniformities of idea and attitude that arose from the fact that the letters were all from major executives in regard to railroad problems. If these uniformities could be defined and hypotheses found that provided a general explanation for such regularity as they contained, we would add somewhat to the small supply of tools for the interpretation of intellectual and social history.

THE USE OF SOCIAL ROLE AS A TOOL FOR INTERPRETATION

The effort to define uniformities in attitude soon showed that such uniformities arose partly because certain business situations presented few alternatives. The fixed elements in the market for capital or product, the expressed aim of profit, the rigidities of bureaucratic structures, and a dozen other similar factors might leave only one or two possible answers to a problem. For example, no matter how much an aggressive professional manager might wish to expand his road during a depression, he had to face the fact that the hard-pressed capitalists would not invest at such a time.² Therefore, the record of decisions regarding "counter-cyclical" investment mirrors the limitation of alternatives more than the understanding of the entrepreneur.

But uniformities in attitude may be ascribed to certain other forces acting upon the executives. Powerful among these are the uniform sanctions of the society; the adages, admonitions, social ceremonies, and traditional practices by which society seeks to protect itself from unpredictable behavior. Such pressures for conformity appear in all business situations. Consequently, in situations affected by strong sanctions, such as the expectation that executives should strive to make profits for their company, we should expect a high degree of uniformity of opinion. Executives, moreover, generally knew the

² By professional we mean a manager with no large investment in the securities of the road.

preconceived ideas of people important to them in a business way and consciously or unconsciously strove to live up to such expectations.

These propositions and their corollaries have been given theoretical form by sociologists and psychologists in the field theory of personality and still more precisely in role theory.³ The technical definition of role is close to its popular meaning. The term refers to anticipated uniformities in response or behavior when a given type of person, such as a middle-aged railroad executive, is confronted with a specific situation. *Individual* roles are played consistent or inconsistent with one's age, sex, occupation, and position in the community. A *social* role is the accepted idea of how the person should act in a certain capacity. Thus the clergyman will, or should, conduct himself in a manner "seemly" to his functions and not in the manner of a prize-fight announcer. And so a nineteenth-century railroad president was expected to behave in certain general ways not expected of a politician or a college professor.

But who expects this conduct, the community, other railroad men, or some particular individuals? To be useful the concept of social role necessitates, therefore, a general definition of the group whose members set the role by their expectations. In some cases, such as religious congregations, this group may be large and nonhomogeneous, or it may lack much sanctioning or compulsive force. The man with a life appointment to some position or the owner-manager of a securely established manufacturing company could operate without much conscious regard to anyone's conception of social role. While such men might conform more or less to the opinions of some group, their individual interpretations could vary widely. But the man working in a large corporate hierarchy occupies a quite different position. Here his success depends on certain other people's opinions of him and his policies.

The evidence gathered from the railroad letters indicates that the opinions of fellow top-executives, of the members of the board of directors, and particularly of the principal general entrepreneurs on the board, were the ones that most strongly influenced the executive

³ See particularly, Leland H. Jenks, "The Role Structure of Entrepreneurial Personality," in *Change and the Entrepreneur* (Cambridge: Harvard University Press, 1949), pp. 108-152.

role.⁴ In so far as the management interest might occasionally conflict with the investment interest this was not a completely homogeneous group. But differences in attitude were infrequent. Usually all saw the executive role in much the same terms, because managers recognized that the general entrepreneurs, the men with access to capital, were the ones who controlled railroad careers and who could grant the favors that brought wealth and prestige. And among these men themselves the opinions of their peers counted for more than those of anyone else.

Therefore, no matter whom a railroad executive addressed in business correspondence, whether politician, clergyman, or shipper, he tended to write in terms acceptable to his company group. Aside from internal evidence of this characteristic in the letters themselves, it should follow from the fact that once a letter left the office there was no foreseeing its ultimate use. It might be quoted in committee hearings, or newspapers, or referred back to influential directors. This could be summed up by saying that at this time the directors of a company still directed, and that even presidents wrote business letters acceptable to their bosses. From this it also follows that the statements of employees of big business companies, at any executive level, should illustrate particularly well the characteristics of a common social role.

The pervasive bias in group expression suggested by this idea of social role colored but did not altogether inhibit the expression of individual feelings. A religious humanitarian, for example, might urge better treatment of the working man, and raise money for Y.M.C.A.'s, but he would try to explain his actions in ways not contradictory to the prevailing business philosophy. Such deviation suggests, but does not confirm, a range of acceptable attitudes in that part of the social role.

Another type of individual expression occurs in areas where the social role is undefined. Railroad presidents were not expected to have any set group attitudes toward subjects such as slavery in the territories, or duck shooting. A man could be for or against either one without seriously violating any of the general sanctions as to what was proper. In such areas of expression, therefore, it seems reasonable to

⁴ By general entrepreneur we mean a man who exercised an important influence in many companies by virtue of his command of capital, and who ordinarily held no office beyond that of director, or chairman of the board.

suppose that the writer expressed his own ideas, save as a proslavery president might avoid the subject altogether in writing to an anti-slavery chairman.

At the opposite pole from purely individual opinions are statements of company policy. Here the executive speaks his own mind only to the degree that were he utterly opposed to company policy he would presumably have to resign. Such policy statements, being the result of group deliberation, should reflect the social role quite accurately and directly. But the hypotheses of social roles and sanctions give a strong basis for supposing that if any one railroad entrepreneur reacted to a situation in a certain way others with similar conditioning and knowledge should react similarly. Or to state the converse, the odds should be against any particular type of statement in a common situation being peculiar to the individual.

It is not essential that society be seen this way in order to accept the tentative conclusions drawn from our evidence. Social role has been used because it offers a defined and consistent, rather than a vague explanation for common attitudes that have been previously accounted for in other terms. The concept seems particularly applicable to the corporation with its well-defined controlling groups. The generalizations set forth here are not, therefore, observations about nineteenth-century businessmen as a whole, but only about the ideas and attitudes of executives in large corporations. Role, for example, explains some of the "why" of behavior directed toward the conservation of capital by noncapitalists, some of the psychological rigidity associated with bureaucratic structures, some of the calculated, impersonal conduct of managers, and some of the drive for company expansion. Ideally, the recognition of a well-defined role should allow fairly accurate forecasting of executive conduct.

With these theoretical assumptions in mind we re-examined sections of some 10,000 letters, selected originally because they contained discussion above the level of routine affairs. From much arrangement, discussion, and rearrangement, we have arrived at an understanding of some elements of the social role of the railroad executive. The homogeneity in social and geographical origins of the officer-director groups probably accounts for some of the role's clear and uniform features. There are, for example, relatively few differences in opinion

in the letters on matters of routine business; on subjects, that is, where the role had been well defined.⁵

THE ROLE OF THE RAILROAD EXECUTIVE

In a brief article such as this, it is possible only to touch on a few of the major characteristics of the social role of the railroad executive, and to suggest their meaning for American history. To begin with, the role was founded on respect for superiors, or, in the case of the topmost financiers, their regard for the opinion of their peers. Such sensitivity to the prerogatives of place and seniority is probably a necessity of hierarchical structures.

An executive's associates expected him to be well informed and logical. No artistic temperament or what John Murray Forbes referred to as a "queer, vague vein about the blood" was wanted in these men of topmost business responsibility. There was a premium on exact, terse expression. In a period given to fanciful and ornate writing, the lean and pointed phraseology of these business letters is striking. Compare, for example, James F. Joy's "These are times when bold action is the only safe action and in this daring action the Southern Company have shown themselves wise,"⁶ with this roughly contemporaneous observation by the famous clergyman and writer William Ellery Channing: "These are periods when the principles of experience need to be modified, when hope and trust and instinct claim a share with prudence in the guidance of affairs, when, in truth *to dare* is the highest wisdom."⁷ Although about 40 per cent of the railroad leaders had attended college, and most of them came from prosperous families of the areas in which learning was most highly regarded, they permitted themselves few digressions from the business at hand. They either could not, or did not seek to embellish their prose with allusions to literature, art, or scholarly knowledge.

Since the representatives of large investing interests were the most important individuals in setting the role, it is not surprising that "the

⁵ The process of defining a role might be a more difficult one with, let us say, politicians, where the reference groups would presumably be broader and less homogeneous.

⁶ James F. Joy to Erastus Corning, January 21, 1851, Erastus Corning Collection, Albany Institute of History and Art.

⁷ William E. Channing, "The Union," *The Works of William E. Channing* (Boston: American Unitarian Association, 1892), p. 641.

company" was identified with the major stockholders rather than with the employees, and that company welfare was measured in earnings. It also follows logically, as well as from the evidence, that strict care of property rights and respect for wealth, were essential elements in the role.

The good business executive was the man who kept his personal sentiments and emotions out of his work—the man who decided all questions on the basis of how they would affect the long-run welfare and stability of the company. "Your first duty and mine also," wrote President Watrous of the New York, New Haven and Hartford "is to the property with which we are respectively connected and we have no duty or right, even, to sacrifice that for anything or anybody."⁸ Fairly wide latitude was permitted in the selection of ways of performing one's duty to the company, provided the practices were not of a type disapproved by the eastern financial interests, and the chances of legal penalties were not too great.

Since the railroad was under social and political pressure from its earliest days, ideas soon developed on how managers should conduct external relations. Believing that the public lacked understanding of railroad problems, in doubtful cases executives and directors favored secrecy. They also believed that nothing would be gained by granting public favors at the expense of revenue. Requests for aid from schools, churches and similar institutions were to be judged strictly in terms of their effect on the welfare of the company. "Our mission," explained John W. Brooks of the Burlington and Missouri River, Nebraska, "is not that of aiding institutions of learning or religion because they commend themselves to our personal judgment. . . . We can properly help . . . when it is clearly for the advantage of our stockholders to do so."⁹

Managers were expected to be particularly wary in dealing with politicians. There was no uniform philosophy of the proper relations of business and government, but the firmly held premise that what business did was economic and developed the country while government action was usually negative and parasitical, gave businessmen the feeling of having virtue on their side. As Leland H. Jenks has put

⁸ G. D. Watrous to J. H. Wilson, November 20, 1882, Archives of New York, New Haven, and Hartford Railroad, New Haven, Connecticut.

⁹ J. W. Brooks to G. Harris, March 9, 1871, Archives of the Chicago, Burlington and Quincy Railroad, Newberry Library, Chicago, Illinois.

it, the railroad leader "considered himself an agent of civilization, an embodiment of collective enterprise."¹⁰ We have noted many instances in which the influencing of political action by the railroad management or the disregard of laws pending their testing by the courts were regarded as the proper and moral course. For example, Forbes took a tolerant view of Oakes Ames' bribery of Congressmen in the Credit Mobilier scandal: "The Road was better built—quicker and did work better than such a plan promised or would have been accomplished under any but so strong and energetic a head as Ames." Forbes added, "I have always tried to avert blame from him for the mistakes he made."¹¹ In this, as in similar cases, good material ends appeared to justify the questionable means.

So far I have been stating aspects of the role which involved neither important conflicts nor changes, aspects that the executive accepted as a matter of course, as part of the way people should normally think and act in American society. But there was no conventional answer to the problem of how certain personal interests of the executive affected his devotion to the financial welfare of the company. In the early years the conception of the role favored a wide latitude on the part of both executives and directors to engage in private ventures connected with constructing the road, or selling it land, materials, and equipment. This leeway was perhaps a carry-over from an age of small owner-managed enterprises and a reflection of the direct participation of the general entrepreneurs in such "sidelines." But as time went on and the leading directors became less active in the affairs of the road, the conflict of many of these managerial ventures with the best interests of the railroad company became more apparent to them, and such activity was condemned. By 1885, for example, Charles E. Perkins, President of the Burlington, wrote a fellow executive that "The smallest kind of interest in a coal mine would be objectionable."¹²

THE LIMITATIONS OF A ROLE

Let us illustrate the concept of role somewhat further by taking a case where the individual's own desires ran contrary to the executive

¹⁰ *Journal of Economic History*, vol. iv, no. 1 (May, 1944), p. 10.

¹¹ J. M. Forbes to J. B. Sanborn, June 10, 1878, Archives of Chicago, Burlington & Quincy Railroad, Newberry Library, Chicago, Illinois.

¹² C. E. Perkins to T. J. Potter, August 13, 1885, Archives of Chicago, Burlington & Quincy Railroad, Newberry Library, Chicago, Illinois.

role. The control of wages by the law of supply and demand was a generally held business concept. Robert Harris, while president of C. B. and Q., personally questioned the wisdom of the rigorous application of this idea. At the time of the railroad strikes of 1877 he wrote Director Forbes: "Perhaps we may be able to devise a plan for increasing the pay of employees contingent upon net earnings. . . ." ¹³ And a week later he wrote his fellow executive, Perkins, "I do not think the Company should confine its observations to the single point—what is the least price at which labor can be had?" ¹⁴ But he sought to reconcile his unconventional attitude with the regard for "economic law" that was expected of him. In writing to J. N. A. Griswold, the chairman of the board, he began: "I can see no better way of fixing the pay of shopmen than on the general basis of supply and demand," and then added the defeating qualification, "bringing to the subject, however, broad views, and not reducing pay to starvation wages simply because there may be in the market, for the time being, many men out of employment." ¹⁵ Similarly, in line with his general ideas of utilitarian social justice, Harris suggested a system of 90-day notice in case of any change in pay and presented this suggestion in terms of the adherence to "economic law" expected in his role: "The tendency of this would be," he argued, "that it would cause the men to feel that they were not so much under the arbitrary action of the officers of the Co. as they were under the inexorable laws of supply and demand." ¹⁶

Still another example of Harris' urging deviant views in proper-role language was his desire to end Sunday train service. He assured the chairman that "it is not from a religious aspect that I propose to urge this, but entirely from an economic aspect, I am so sure of the value of Sunday rest to me that nothing could convince me that it would not be valuable to everyone. . . ." ¹⁷ It might be noted that for a number of reasons Harris was removed from the presidency about a year later.

¹³ R. Harris to J. M. Forbes, July 30, 1877, Archives of Chicago, Burlington & Quincy Railroad, Newberry Library, Chicago, Illinois.

¹⁴ R. Harris to C. E. Perkins, August 6, 1877, Archives of Chicago, Burlington & Quincy Railroad, Newberry Library, Chicago, Illinois.

¹⁵ R. Harris to J. N. A. Griswold, November 21, 1877, Archives of Chicago, Burlington & Quincy Railroad, Newberry Library, Chicago, Illinois.

¹⁶ R. Harris to J. N. A. Griswold, October 1, 1877, Archives of Chicago, Burlington & Quincy Railroad, Newberry Library, Chicago, Illinois.

¹⁷ R. Harris to J. N. A. Griswold, August 1, 1877, Archives of Chicago, Burlington & Quincy Railroad, Newberry Library, Chicago, Illinois.

But even Harris, our most obviously deviant executive, confined his unorthodoxy within relatively narrow limits. Among these sixty-one railroad leaders there were no socialists, religious zealots, militant atheists, exponents of free love, utopian dreamers, artists, poets, or outstanding philanthropists. The politicians among them were routine and distinguished for little beyond able, hard-headed manipulation. Forbes might be classed as a scholar, although he did not so consider himself; and Henry Villard could, by broad definition, be called a literary man. But both were relatively orthodox in their political, social, and economic views. The uniformities illustrate not only the pressures of the role on participants, but also suggest the more or less unconscious use of role as a selective device for initially excluding the unorthodox.

Analysis of the thinking of other parts of the American business community probably would bring out similar group uniformities. Our culture may have mirrored its economic needs for utilitarian standardization. But it may also be true that corporate leaders, like politicians in power, felt the social and economic responsibilities of their position, as well as the uncertainties of tenure, and sought more than most men to conform to the expectations of their "constituents." Orthodox failure could be attributed to forces beyond the control of the entrepreneur, but unorthodoxy and failure was a deadly combination.

THE VALUE OF SOCIAL ROLE AS A TOOL OF HISTORICAL INTERPRETATION

Beyond any gains for the specialized student of business administration or railroading, how does a social role for the railroad executive, in so far as we have been able to define it, aid in the interpretation of American history? To begin with, it replaces inexact implications as to the character or motivation of railroad leaders that appear in the histories of this period with more definite hypotheses that do not depend upon dubious guesses about individual motives. While the role characteristics indicated in the case of the railroad executive may not reveal much that was not previously assumed, they provide an explanation for various attitudes and a scheme for their logical arrangement which can be elaborated and amended from additional evidence. Refusal to aid a young boy who had lost both legs in a railroad accident, for example, is seen not as unusual callousness on the part of the president of the Michigan Central, but as normal action in accordance

with the sanctions of the social role regarding the conservation of the stockholders' money. Similarly, the strong sanctions for executive conduct in accord with the assumed laws of supply and demand explain much of what would seem today to be short-sighted personnel or labor policy.

Social role was an intangible control that operated within certain limits, not an exact prescription for every act. The particular interests of the small compact group on the board of directors set conceptions of the proper executive role somewhat different from those that arose from the experience of western managers surrounded with operating problems. This helps to explain the fact observed by Grodinsky in his Iowa Pool study that the managers of roads which, on the basis of ownership interests, should have acted in harmony often battled over rates and traffic.¹⁸ This also shows how new policies that might ultimately alter the role could rise from the bottom as well as come down from the top. In spite of occasional conflicts in role behavior, however, the relatively tight control of railroad affairs on a nationwide basis by the attitudes of eastern financiers is a highly significant feature of American economic and social development. It explains, for instance, some of the mechanics of social control and cultural continuity that prevented frontier customs and behavior from being wholly products of their local environment. It also indicates the complexity of cultural change. Shifts in opinion regarding proper business practices in Dubuque, Iowa, might have to be transmitted from Boston financial circles. And, on the other hand, exploitation of new business opportunities on the upper Mississippi might be impeded by the fact that the social role of the railroad managers involved was not immediately responsive to local conditions.

By its very nature a uniform and well-understood role offers resistance to any change in conditions. And presumably the rigidity should be to some degree proportional to the precision of the role and the sanctioning force of the prescribing group. Thus a role set by a closed and conventional group in Boston could explain "cultural lag" not only in the West but in Boston itself. And our assumption that the executive roles in large corporations were particularly clear would also serve to explain the widely held belief that big corporations were

¹⁸ Julius Grodinsky, *The Iowa Pool* (Chicago: University of Chicago Press, 1950).

slower than small enterprises in adapting their policies to new conditions.

Ultimately, it seems possible that well-understood social roles will provide us with the needed concepts for relating factually verifiable sets of economic or social interests to concomitant ideas, attitudes, and patterns of behavior.

THOMAS C. COCHRAN

University of Pennsylvania

The First Chartered Bank West of the Mississippi: Banco Nacional de Texas

While Jacksonian democrats moved resolutely to abolish the National Bank of the United States and denounced the very idea of such an institution as being incompatible with liberty, Governor José Felix Trespalacios, colonel of the imperial armies of Mexico and political chief of the Province of Texas, promulgated a decree in the historical city of the Alamo establishing the first "national" bank in the Americas west of the Mississippi. "Consonant with my duties," he declared, "and mindful of the interests of this beautiful country and the deep regard in which I hold its inhabitants, I hereby order and command that a National Bank be established temporarily in this Province, subject to its ultimate approval by the Government."

This decree, issued on October 21, 1822, the magna carta, one may say, of chartered banks in Texas, has remained unknown until now to historians and economists. Buried in the extensive collection of documents that constitute the Spanish archives of the University of Texas, it has escaped notice. Scholars did not suspect or dream that such an institution had been organized and put into operation in Texas fourteen years before the state attained independence from Mexico and two months before a somewhat similar institution was first authorized in Mexico City by imperial decree of Agustín de Iturbide. Stranger still, evidence seems to indicate that Emperor Iturbide took the idea for the establishment of the issue of circulating notes by the Mexican treasury from the report made by Governor Trespalacios of the action taken in Texas.

To students of the Southwest the existence of a national bank west of the Mississippi this early is a distinct surprise because the very idea of institutions of credit, or banks with the right to issue paper money, is foreign to the economic organization that prevailed in the Spanish colonies. True, the first gold and silver coins of various denominations minted in the New World came from Spain's possessions in America.

AUTHOR'S NOTE: All documents and letters cited in this study are in the archives of the University of Texas.

The government, however, never gave any institution in the colonies power to issue paper money, a practice in which the Crown itself never indulged. The question naturally arises: Where did Trespalacios obtain his idea?

Trespalacios was a veteran revolutionary leader of the Mexican movement for independence. He was born in the city of Chihuahua, where the commandant-general of the interior provinces of New Spain resided. As a young man he had been deeply moved by the trial and execution of Father Miguel Hidalgo, the modest pastor of Dolores, who had had the temerity to proclaim the independence of Mexico. After the initial success of the Revolution, Father Hidalgo had been forced to withdraw from Mexico City northward to seek refuge and aid in the distant provinces of Coahuila and Texas. Betrayed at Baján, almost within the limits of Texas, he and the principal leaders of the movement for independence had been captured and taken to Chihuahua, where Hidalgo gave his life for the cause of liberty. This heroic sacrifice filled Trespalacios with an intense desire to fight tyranny. He immediately cast his lot with the defenders of freedom by fleeing from his native city to join the forces of the Revolution.

For ten years he served the cause throughout Mexico, frequently having to find protection in the mountains with the scattered bands of the insurgents. Hunted relentlessly like a wild beast, he had to seek refuge more than once beyond the boundaries of Mexico. Once he was forced to flee to Havana, where he had the misfortune of being captured and thrown into prison. He succeeded in escaping shortly afterwards and made his way to New Orleans, the Creole metropolis of Louisiana, where the ardent revolutionary met kindred spirits, the city being a center for sympathizers of the Mexican movement for independence.

Perhaps while in Havana, certainly during his stay in New Orleans, the veteran revolutionary leader came in contact for the first time with the general use of paper money in the form of promissory notes, checks, drafts, and bank notes. The friends of Mexican independence in the Creole city included almost all the leading merchants and bankers. From them Trespalacios, who had heretofore been accustomed to bullion for all transactions, must have learned the rudimentary details and theory of paper money and banking. The whole idea apparently fascinated him. Upon his return to Texas as the political chief of the Province a year or two later, he decided to give the matter a trial by ordering the establishment of the first chartered institution

[illegible]

Prof. Vincent Brown, 1847-1890

(11) dicha Ciudad de Pinar, a peticion
nroa de D. Simba de matos, con
vicio y de los los Señores Comendados de
la Provincia Real de S.º Domingo, y de
los Regidores encargados del Cabildo de
Pinar, concurran, dice el Sr. D.º

of credit with power to issue bank notes west of the Mississippi.

Trespalcacios' sojourn in New Orleans had been pleasant and profitable in many ways. The friends of Mexican independence lionized him in the belief that he was the man to give to their somewhat shady activities in Texas a semblance of legality. During the low ebb of the Revolution in Mexico, the supporters of the insurgents, who had on various occasions attempted with varying success to liberate Texas as a coöperative movement, had lost contact with the fleeing leaders of independence in southern Mexico. They saw in Trespalcacios a god-send to renew their contacts.

Dr. James Long and his friends, aided by New Orleans merchants, had been maintaining Fort Las Casas in Texas with difficulty. This was a small fortified outpost, near Bolivar Point, which the American filibusters had named after the illustrious defender of the Indians. They offered their distinguished guest the command of the post so that he, as a representative of the provisional government of the Revolution, might obtain for the Texas patriots recognition as legitimate defenders of Mexican independence. Trespalcacios graciously accepted the appointment, visited the post in Texas, was somewhat disappointed with the conditions he found, and left shortly afterwards to contact his friends in Mexico.

By a fortunate coincidence it was at this very time, the beginning of 1820, that a new leader had risen in Mexico who was destined to carry the movement for independence started by Hidalgo to a successful conclusion. Agustín de Iturbide had proclaimed his now famous *Plan de Iguala* in February, and guaranteed liberty, equality, and religion to all the scattered defenders of independence. Patriots sprang from everywhere and joined the Army of the Three Guarantees. Iturbide entered Mexico City in triumph soon after. The new viceroy, who had just arrived, could do little more than recognize the independence of Mexico as a *fait accompli* and sign the Treaty of Cordoba by which the way was left open for the ambitious and successful new leader to grasp power and make himself the emperor of independent Mexico.

Iturbide, who had a high regard for Trespalcacios as a veteran leader of the Revolution, no sooner learned from the captured Dr. Long in Texas the whereabouts of Trespalcacios than he immediately sent special instructions to Governor Martínez in San Antonio to treat the distinguished patriot with all courtesy, should he present himself, to acquaint him with the successful attainment of independence and to

invite him to join the armies of the empire. Shortly afterwards, Trespalacios returned to Mexico, took his oath of allegiance to Emperor Iturbide, and was appointed colonel of the army and political chief of the Province of Texas, where, as early as October 16, he began to take the first steps for the establishment of a bank.

The occasion for this innovation was the irregularity with which specie shipments, sent from the subtreasury in San Luis Potosí for the payment of troops and other public officials, reached San Antonio. It was a time-honored tradition that troops had to be paid in gold or silver, that specie was always sent under guard from the nearest depository of the treasury, and that the shipment had to wait for the most favorable conditions to insure the greatest safety in its delivery. Within the memory of man, Spanish authorities had never failed eventually to make shipment of specie in the required amount to pay the troops. Relatively long periods elapsed, however, between pay days, the troops and their families having to be supplied in the meantime by the local merchants who extended personal credit to them. Frequently, when at long last the cash arrived and the men were paid, a strong urge was felt by too many to celebrate in the local saloon. The inevitable result was that the merchants generally had to wait for part or all of the personal debts due them until the next shipment of specie made possible another pay day, always with the uncertainty of not being paid even then.

To avoid the anxiety and hardships of this system that made the local merchants the victims of human weakness, Trespalacios concluded that the establishment of a national bank, whose notes were guaranteed by specie, would solve the problem. Through the facilities of a bank he would be able to pay the troops with regularity, the merchants would in turn be paid with notes secured by specie, and when the specie shipments arrived, they would constitute the bank reserves with which the notes could be redeemed. It would mean that the payment of goods and merchandise obtained on personal credit extended by the local merchants to individuals in the army or the public service was no longer to be left to the whim of the borrower when he, after relatively long and irregular periods of waiting, received hard cash. The merchants would, under the new plan, be paid regularly every fifteen days for the goods and merchandise sold on credit with bank notes redeemable in specie.

After the attainment of independence in 1821, Texas, Nuevo León, and Tamaulipas were placed under a new commandant-general

with headquarters in Saltillo. It was to this district superior, Colonel Gaspar López, that Trespalacios addressed himself as political chief of Texas on October 16, 1822, to learn his opinion regarding the contemplated plans for a bank. After presenting the facts already recounted in support of the need for such an institution, the veteran of the Mexican Revolution proceeded to demonstrate the great advantages which the payment of the troops with regularity would bring. Through the operation of the bank, public confidence would be restored, he assured López, and business would prosper, all of which would give to the entire Province a satisfying feeling of security and prosperity.

Anticipating objections to the plan, Trespalacios hastened to explain that the idea of a national bank with authority to issue notes on the credit of the government was in fact not a radical innovation. The promissory notes of the government and its receipts for public loans—generally forced loans or contributions—were obligations incurred by the government under conditions much less acceptable to the public. The notes to be issued by the bank when established might not differ greatly in nature, but they would prove much more acceptable to the public because they would be backed by specie, their amount being regulated by that of the silver and gold expected to meet the annual payroll of the Province. The bank would avoid delays, facilitate regular payment of government obligations, and remove the uncertainty that kept the entire Province from making progress.

He confided to the commandant-general that he had already discussed the whole scheme with the local merchants and the Cabildo—city council. They were all favorable to the idea and were waiting with interest its being put into operation. Some members of the city council had suggested it might be well to have three members countersign the bank notes to make them more acceptable throughout the Province. The greatest advantage of the use of bank notes, they all agreed, was that they were impersonal and negotiable and would be generally accepted. To clinch his arguments in favor of a national bank, Trespalacios remonstrated that the recent failure of the crops and the attendant hardships made such an institution of credit at this particular time indispensable in Texas.

Convinced that the idea was good and that he ought to put his plan into operation, Trespalacios, who had previously consulted the members of the city council personally, decided to present the whole project formally to the Cabildo. The plan was unanimously approved.

The Cabildo recommended that in creating the bank its notes should be declared legal tender for all transactions and be made acceptable for payment of taxes and the purchase of public lands. Political Chief Trespalacios readily agreed. It was then voted that three members of the city council be made officers of the bank in order to add the prestige of the local merchants and officials to the paper money issued by the bank. The three officials were to be required to countersign all notes. The paper money was to be guaranteed by the specie expected from the government, and was not to exceed this amount.

That same day Trespalacios dispatched posthaste a report of his meeting with the Cabildo to Commandant-General Gaspar López, asking that he place the matter before Emperor Iturbide and request his formal approval.

Without waiting for authorization, feeling confident that approval of his plan by the higher authorities of Mexico would be nothing more than a routine matter, Trespalacios issued a decree on October 21, 1822, establishing the first chartered bank west of the Mississippi and the first institution of its kind in Mexico. He declared that in full accord with the views of the city council on the subject, and aware of the great needs of the moment and the impossibility of finding means to meet them with dispatch and efficiency because of the great distance that separated the Province of Texas from the seat of the supreme government—Texas had not been joined to Coahuila—he had given the matter serious consideration and decided, subject to the superior judgment of the government of Mexico, to order the establishment of a national bank "pledging for the performance of its obligations the good faith and resources of the Government." The decree then declared:

Art. 2. Its paper money is to be issued in denominations of 2 *reales*, 4 *reales*, and 5, 10, 20, 50 and 100 *pesos* to the amount of fifteen thousand pesos, the sum required for the payment of the troops and the purchase of supplies during a period of three months, time sufficient for the Superior Government to give its approval to the plan or issue new instructions on the subject.

Art. 3. Out of the cash received for the payment of troops let the individuals who desire it be paid in specie for the bank notes they hold.

Art. 4. Let Alcalde José Salinas and Councilmen Vicente Travieso and Miguel Arciniega sign together with me all bills that may be issued.

Art. 5. The said paper money to be considered legal tender for all commercial transactions, as well as the payment of all national revenues, taxes, and other public obligations.

Trespalacios ordered that the decree be made public by proclamation.

in the capital and in Bahía del Espíritu Santo so that all the citizens of the Province might be duly informed of its contents and these might be more widely observed.

About a week later, Trespalacios reported to the commandant-general the action taken. He attempted to justify his failure to wait for approval by stating that the deplorable condition of the troops had compelled him to do something to relieve their sad plight. The soldiers were half naked, without shoes, and lacked the very essentials of life, he explained. The immediate establishment of a bank with authority to issue notes backed by the expected specie payments seemed to be the only solution. Moved by these considerations he had issued the decree, copy of which he now sent to Colonel Gaspar López. He informed López that the first paper money issued by the bank would be put in circulation on November 1, at which time the troops would be paid with bank notes. "I am pleased to report to your Lordship," he concluded, "that already the citizens of this Province have manifested their satisfaction with the promulgation of the plan and all have expressed the hope that its approval by the Government will enable it to continue in operation at least during the time that the revenues of the Nation are limited as at present."

In the meantime Standard Bearer Nabor Villaroel, Ensign Sarazole, Corporal Garza, and Private Cepeda had been ordered to make by hand the notes in the various denominations, preparatory to their being placed in circulation on November first. The new institution was officially designated Banco Nacional de Texas. In its daybook, it is stated that on November first the directors of the bank had caused to be made bills in the following denominations and quantities by the four men assigned to this work:

10	—	\$100.00 (<i>pesos</i>)
10	—	50.00 "
50	—	20.00 "
100	—	5.00 "
600	—	1.00 (<i>peso</i>)
600	—	4 <i>reales</i> (four bits or \$0.50)
200	—	2 <i>reales</i> (two bits or \$0.25)
100	—	1 <i>real</i> (one bit or \$0.125)

The total sum of paper money ready for issue on November first was \$4,462.00 (*pesos*) and 4 *reales*.

In transmitting the new bank notes to the commander of the garrison at La Bahía (Góliad), Trespalacios instructed him to cause the

decree of October 21 to be read publicly in the town square by the public crier, observing all due formality and explaining to the people that this measure had been adopted for their general welfare. They should all be made to understand the nature of the new money and their obligation of accepting it as legal tender. "As such an institution is foreign to the people of this Province," he pointed out, "it may appear strange to them at first, but after they have reflected upon it they will recognize the great advantages that are derived from it. It is my desire that you incline them, through tactful persuasion, to a favorable acceptance of this progressive step."

Captain Francisco García replied on November 9, 1822, that he had complied with the governor's instructions. He assured Trespalacios that everybody was pleased with the adoption of a measure that would put an end to the privations of the soldiers and the embarrassment of the citizens in the conduct of business. He acknowledged at the same time the receipt of \$674.00 (*pesos*) and 6 *reales* in the new currency, sent to pay the troops and to obtain necessary supplies for them. A day later he wrote that the paper money had been well received and generally accepted. Since more than half of the currency sent was in large denominations, García suggested that the next remittance should consist of bills of only ten *pesos* or less. "In this Presidio," he explained, "there are no persons capable of exchanging for cash bills of higher denominations than that expressed." Two weeks later Captain García reported that he had not been able to get the one hundred *peso* note changed.

Governor Trespalacios joyfully informed Captain García and the public on November 19 that the long-delayed shipment of silver that had prompted the establishment of the bank was on the way to San Antonio under the escort of Lieutenant Cayetano de la Garza, who was bringing ten thousand *pesos* in silver from San Luis Potosí. Upon his arrival, he assured his correspondent, the Bank would be in position to redeem the first issue of notes, should any of the holders so desire. He also explained that those in possession of large bills could return them to the Bank for smaller ones or for silver.

It was at this time that the sanguine Trespalacios received the long-awaited reply from Commandant-General López. The communication was noncommittal. López acknowledged receipt of the copy of the decree of October 21 and of the two letters sent by special messenger on the establishment of a national bank. Without revealing his personal reaction, López declared that he had made a report on the subject

to Emperor Iturbide and had sent him all the documents for his information in order that whatever action was deemed proper might be taken.

What happened after the report was made to Iturbide concerning the Banco Nacional de Texas is not recorded in the documents available to the author. But it is difficult not to conclude that the idea of Trespalacios concerning the advantages of paper money, expressed at a time when the struggling government of independent Mexico was faced with the most serious financial embarrassment, influenced his thinking and led to the promulgation of the national decree of December, 1822. Although Iturbide did not in fact order the establishment of a bank, he did authorize the national treasury to issue paper money to the amount of the revenue expected within the following ninety days.

The *Gazeta Imperial* of Mexico City published Iturbide's decree on December 29, 1822. The instrument bears a remarkable resemblance to that issued by Trespalacios in Texas. It declared that the government found itself obliged to resort to paper money in order to meet the more immediate obligations that would come due on the first of the year, a time at which national revenues had not been collected. It was then explained, as in the case of the Texas decree, that the measure had previously been discussed by the national council whose unanimous approval it had received. The national treasury was therefore being authorized to issue paper money to the amount of \$4,000,000 (*pesos*), redeemable within one year, the good name and resources of the nation being pledged as security. The treasury was empowered to print 2,000,000 one-*peso* notes, 500,000 two-*peso* notes, and 100,000 ten-*peso* notes. The new currency was declared legal tender. After January 1, all payments made by or to the national treasury were to consist of one-third paper money and two-thirds silver.

This last provision made it necessary for citizens to secure treasury notes to the extent of one-third their obligations for taxes and other indebtedness to the national government. By the terms of the decree all business transactions and contractual obligations that involved more than three *pesos* had to be satisfied in both currency and silver in the proportion stipulated. Violations of the new law were subject to heavy fines and imprisonment. The notes taken in as payment for government taxes, imposts, fines and other obligations of similar nature were to be mutilated to prevent further circulation.

In the meantime the notes of the Banco Nacional de Texas were being circulated in the distant province without difficulty. The four men assigned to make them by hand had turned out a new issue for December which consisted of:

10	—	\$100.00 (<i>pesos</i>)
20	—	50.00 "
100	—	20.00 "
100	—	10.00 "
200	—	5.00 "
1000	—	1.00 (<i>peso</i>)
500	—	4 <i>reales</i> (four bits)
500	—	2 <i>reales</i> (two bits)

The total sum of money ready for issue on December first was \$7,375.00 (*pesos*).

Governor Trespalcacios received a request from Villaroel on December 2, 1822, asking that he and his three companions be paid for the work they had been doing in drawing up the notes by hand. The political chief, feeling that the request was justified, turned the matter over to the city council for its members to determine what would be a fair compensation. Penmanship and artistic design were evidently not held in very high esteem in those days. After due deliberation the council voted, on December 6, the munificent sum of \$50.00 *pesos* for all four scribes. Villaroel put it on the record that he was accepting the money under protest, declaring the sum was totally inadequate for the exacting labor required of the four men.

The governor and the city council of San Antonio were still hopefully awaiting the expected official approval of the new institution when late in January they suddenly became aware that difficulties might develop concerning the matter. Although the *Gazeta Imperial* took a long time to arrive in Texas, the first news of the imperial decree of December 29th, authorizing the national treasury to issue notes, came to them late in January. Commandant-General López wrote from Saltillo on January 18, 1823, that he had just received instructions concerning the new paper money that was being printed by the national treasury. He informed Trespalcacios that the emperor had requested all officials to explain to the public the advantages of paper money in order to dispel the prejudice that prevailed as a result of ignorance concerning its use. In the future, López continued, all

troops and public officials were to be paid one-third in national treasury notes and two-thirds in cash.

Although nothing was said in regard to the Banco Nacional de Texas, the governor and his friends immediately became apprehensive. If full specie payment for the troops could no longer be expected, the notes of the Texas bank could not be redeemed at their face value. This was a serious blow. The Texas notes had been issued on the expectation of full specie payment. All hope was not abandoned, however, but public confidence was seriously shaken. The governor reluctantly had to publish on February 5, 1823, the national decree in regard to the treasury notes, thus acquainting the citizens with the fact that the Texas notes had a rival currency and were no longer backed by 100 per cent specie.

That very day the secretary of the treasury had issued in Mexico a circular declaring that "the emperor, having heard the opinion of the Council of State, had seen fit to decide that the paper money created in Texas by Governor José Felix Trespalacios in cooperation with the city council of San Antonio be replaced by that which has been established for the whole empire." The secretary added that an amount of the new paper currency sufficient to supply the needs of the Province of Texas had already been sent to the intendant of San Luis Potosí, who had been instructed to call in all the notes issued by the Banco Nacional de Texas and exchange them for the new treasury notes. The intendant of San Luis had been ordered to burn all the Texas notes upon their presentation for exchange.

The Banco Nacional de Texas, established provisionally subject to approval by the national government—an approval expected as a matter of course—thus came suddenly and unceremoniously to an end. The public justly felt that it had been defrauded. The people of Texas had been induced to give up their cash to help the plight of the suffering troops, confident that this constituted a short-term loan backed by the silver that would be sent as heretofore to pay the troops. They were now offered new paper money instead of silver for the Texas notes. In their mind, where doubt had been planted, the question that loomed larger and larger was: were the new notes any better than the old?

Governor Trespalacios was instructed to gather all the notes of the defunct Banco Nacional de Texas and send them to San Luis Potosí to be exchanged for the new national currency. Fortunately for him, he was spared this painful duty by his being sent to another province at

this time. After his departure the note holders refused to surrender them in the hope that the original agreement would be eventually fulfilled by the government. They stoutly maintained that the notes of the Banco Nacional de Texas were redeemable in silver or gold only.

During its three months of operation the Banco Nacional de Texas had issued \$11,837 *pesos* and 4 *reales* in hand-made bills. Today this sum appears to be modest indeed. It must be kept in mind, however, how scarce money was in those days to realize how such a sum appeared staggering to the frugal citizens of San Antonio and La Bahía. To these pioneers silver was precious, yet in a moment of patriotic enthusiasm they had been talked into exchanging their cash for worthless paper. Little wonder that they insisted vehemently that they be returned the cash they had surrendered.

For two years the note holders repeatedly pointed out to the government that they had given their cash and their goods in exchange for the Texas currency under a solemn agreement that it would be redeemed in specie. They refused all offers to exchange their Texas notes for national paper money and continued to petition state and national officials for the fulfillment of the terms of the original decree of October 21, 1822. Time, however, made their needs all the more pressing.

Early in 1825 the city council of San Antonio asked the Alcalde Don Manuel Martín de Beramendi to present a petition in the name of the people of Texas to the governor in Saltillo through their representative in the state legislature, Baron de Bastrop. "Three years of waiting have reduced these wretched inhabitants to the greatest misery," declared the Cabildo, "and forced their families to suffer indescribable hardships because of the failure of the national government to pay what is justly due them." After recounting once more the circumstances of the establishment of the Banco Nacional de Texas, the petitioners affirmed that the consequences of this measure had been most detrimental to the entire province. It had ruined the merchants and demoralized the community.

In despair the Cabildo now asked that the governor of Coahuila and Texas—the two provinces had been joined—be requested to interpose his influence with the national government for an early settlement of the \$11,837 *pesos* and 4 *reales* in cash, if possible. Reluctantly they admitted their willingness to exchange the Texas bank notes for full or partial payment in specie. Beramendi forwarded the petition

to the Baron de Bastrop in Saltillo, who lost no time in contacting the governor.

In accord with the desire of the Cabildo, Governor Rafael Gonzales addressed himself to the commissary general in San Luis Potosí on February 8, 1825, sending him certified copies of all the documents pertaining to the establishment of the Banco Nacional de Texas and the instructions for the recall and redemption of its notes. He requested this fiscal official either to proceed to redeem the Texas notes, if this was within his power, or to submit the whole matter to the supreme government for final disposition.

The last report concerning the final settlement of the Texas notes is found in a letter from the Baron de Bastrop to the Cabildo in San Antonio, written on March 12, 1825. The Baron informed the Cabildo that upon receipt of their petition he had contacted the governor, who had assured him he would do everything in his power to obtain an early settlement. The Baron had then written on his own account to the commissary general at San Luis Potosí, who had replied that he had no authority to retire the paper money of the bank of Texas, but that he had, as requested by the governor, turned over the whole matter to the supreme government for final disposition. He promised he would notify Baron de Bastrop as soon as new instructions concerning the matter were received in San Luis. The Baron de Bastrop then added in his letter to the Cabildo that he had also written to Don Ramon Músquiz, state deputy in the national congress, and suggested to him that he call upon the president, himself, and point out to the chief executive the need for an early settlement of this long-pending obligation of the national government.

The matter was presented to the president but other questions more pressing occupied his attention. Not until four years later was the matter finally settled. President Vicente Guerrero issued a decree on May 8, 1829, ordering the national treasury to liquidate the amount due to the citizens of San Antonio for the paper money issued by the Banco Nacional de Texas. This was the last transaction in the operations connected with Governor Trespalacios' banking experiment in the wilds of Texas.

In conclusion it remains to be noted that the Banco Nacional de Texas was a bank only in a very limited sense. It was founded by governmental decree; its officers were the governor and three members of the city council of San Antonio; there were no stockholders; there was no capital put up, nor was there a charter granted defining the

scope of its operations, except as the decree filled that function. Governor Trespalacios, in his desire to ease the miserable condition of the troops in Texas, suggested to the city council the establishment of a bank as a device to issue paper money backed by the irregular but unfailing specie shipments for the payment of troops, and his suggestion had been accepted. When the idea was submitted to the government in Mexico for approval, it seems that it was thought to be better suited for national application by the supreme government, and it was incorporated in the imperial decree of December 29, 1822, promulgated by Iturbide authorizing the issue of notes by the national treasury redeemable within a year out of the expected national revenue.

CARLOS E. CASTAÑEDA
University of Texas

A Mid-Victorian Employer on Factory Management

In the economic affairs of Britain the mid-nineteenth century was the age of the relatively small and independent employer, conscious of a long-established prowess which had been surpassed nowhere in the world and in the conduct of the affairs of his works but little affected by the embryonic factory legislation and the feeble trade unionism of the time. Equally the large combine with its tendency towards standardization of conditions had still to come. Lord of all he surveyed, the employer's views on conditions of work are a good index of what actually was.

For the most part these men were rigid believers in complete mastery within their domain, which was only to be expected in men who, in so many cases, had had to make their own way in the world and had more than once looked too closely into the yawning depths of bankruptcy. Such employers have been given ample prominence by writers varying from Karl Marx through the socially conscious novelists, such as Charles Dickens or Mrs. Gaskell, to the writers of Victorian melodramas whose simpler aim was merely to terrify the gallery.

Grinding despotism, however, does not give the complete picture. Some at least, though despots, were benevolent despots, their benevolence being founded on middle-class Victorian religion, respectability and snobbery, eked out by humanitarianism and shrewd common sense. They could even think in terms of coöperation between employer and employed. One such employer, a printer in the city of Edinburgh, gave his views and practice in factory regulation in a letter to a monthly magazine of the time, *The British Workman and Friend of the Sons of Toil*.¹ Written in 1859, this letter not only gives

¹ November 1, 1859, p. 235. This periodical itself is an example of good intentions. Written by members of the employing class, it was to a large extent given away by them to their employees. W. & R. Chambers, Limited, a descendant of the printers of this periodical, is still (1951) in the publishing business in Edinburgh. It publishes the *Chambers's Journal*, one of several periodicals issued by the firm a hundred or more years ago. (See J. L. and Barbara Hammond, *The Age of the Chartist*, London: Longmans, Green and Co., 1930, p. 314.)

some insight into one employer's management of the workers in his factory, but also helps to amplify and correct the picture of Britain at that time. The letter and the accompanying copy of the rules for employees are reproduced below:

... My Brother and I employ in our establishment upwards of a hundred individuals—men, boys, and girls: the whole occupying a series of floors, and arranged according to departments. Having at the commencement of our business, been under the conviction that the welfare of workpeople depends in no small degree on that species of proper management which combines discipline with kindness, we, with the assistance of an intelligent foreman, instituted a code of rules and regulations for the government of the establishment, to which we have rigidly adhered, not only to our own satisfaction, but that of all concerned. After an experience of more than twenty years, we can say with confidence, that if employers and employed would only cordially unite in carrying out rules of the kind I refer to, an immense step would be made in the progress of social melioration. Along with this I send a copy of our rules, to one or two which I shall briefly refer.

As will be observed, we allow no fines at entry, or for what is called footing.² The only fines exacted are for petty irregularities, and all such fines form a contribution to the library fund. Thus, the workmen are relieved from what is often an intolerable burden. Next, you will see that no beer, spirits, or any other intoxicating liquor can enter the premises; this rule also causing a great saving to the operatives. Then, with a view to enable the workmen's wives to buy provisions in the best markets, we pay all wages on Friday forenoon, weekly. By the method adopted, the payment of the whole establishment occupies only a few minutes. Each person gets his money put in his hand, on the spot where he works. In comparing this simple plan with the odious practice of paying wages in public houses, another important means of saving to operatives may be noticed. I should add, that by our paying wages early in the day—not at night, when men are more easily led away by ill-disposed companions—there is every likelihood of the money reaching the hands of the wives; and I am bound to say, that from this and other causes, all our workpeople are a most sober and highly estimable class of persons. Their good conduct and intelligence are matter of universal remark. I will only draw your attention to one more rule; it is that by which all the females arrive and depart ten minutes before the men; by which arrangement, various improprieties are avoided. We are very anxious to keep the place so respectable, that any persons could with safety send their daughters to work in our establishment; and in consequence of the care taken in this respect, we have always had a most respectable class of girls under our employment. A number leave to be married, and it is not less gratifying to know, that while many of our men have been with us for from ten to twenty years, a number of others

² "Footings": Drinks provided by new apprentices to establish their footing in the works and described by *The British Workman and Friend of the Sons of Toil* as being a heavy burden on the parents of the apprentice.

are the sons of these elder individuals. The last fact of all I will notice is, that there never has been one dispute about wages or anything else between ourselves and those in our employment; and STRIKES among us are unknown!

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RULES AND REGULATIONS OF

W. & R. CHAMBERS'S ESTABLISHMENT

- I. The Manager has the entire regulation of the office; and the various Foremen will take their orders only from him, or from the Deputy appointed by him in his absence.
- II. Any want of hands or material is to be reported by Foremen to the Manager; and the Foremen to see that all persons in their respective departments attend to their assigned duty, and conduct themselves properly.
- III. Connected with each department is a Work-book, into which it will be the duty of the Foremen to enter work done, according to regulations for the purpose.
- IV. Every person, on being engaged, shall, before beginning work, come to the Manager to be entered. No Entry-money is taken or allowed.
- V. All persons employed (boys and girls excepted) who may wish to leave their situation, to give notice to the Manager, a fortnight previously. A fortnight's notice of being no longer required, will be similarly given by the Manager. Boys and girls not apprenticed, to be on a week's notice.
- VI. Any person unable to attend from illness shall immediately send notice to the Manager. Those absenting themselves without notice, or without receiving permission, will expose themselves to the loss of their situation.
- VII. The number of regular working-hours per week to be sixty. All work that exceeds this to be paid for as over-time, to those on settled wages.
- VIII. The hours of working to be arranged as follows: on five days of the week from half past 6 o'clock in the morning till 7 at night, with the exception of an hour—from 9 till 10—for breakfast, and an hour—from 2 till 3—for dinner. On Saturday there is to be no dinner-hour as the Office will close on that day at 3 o'clock. On all occasions, females to come 10 minutes earlier and depart 10 minutes earlier, than the above hours.
- IX. All persons to arrive promptly at the hour as the Office clock strikes, when the door will be shut. Those not entering at the hour will expose themselves to fines, or to being excluded for the day under a corresponding deduction of wages.
- X. There is to be no going out at pleasure during work-hours; and no acquaintances or others are allowed to call with the view of speaking to, or doing private business with, the workmen.
- XI. It is strictly enjoined that there shall be no high words heard, and no bad language used one to another. Individuals guilty of a frequent repetition of such indecorous conduct, will lose their place in the establishment.
- XII. It is also strictly ordered that there is to be neither smoking of tobacco nor drinking of intoxicating liquor in the Office. Any person doing either the one or the other, will subject himself to the loss of his situation with-

out previous notice, according to the discretion of the Manager. The act of bringing in drink of any kind to the Office is to be considered the same as drinking, or appearing the worse for liquor.

- XIII. It is also expected that each class of persons in the Office will not interfere with others, but keep diligently to their own particular employment, unless requested otherwise by the Manager. In particular, there is to be no interference by the workmen or boys with the workwomen.
- XIV. In order to give all persons in the establishment an opportunity of disposing of their wages to the best advantage, it is arranged that the weekly wages will be paid every Friday forenoon; and to save time, the Foreman of the departments will disburse from small tin boxes, numbered to correspond with the name of each individual, the wages of those under their charge.
- XV. Messrs. Chambers having set on foot a Library for the use of all persons in the establishment, a Librarian is appointed, whose duty it will be to give on 'keep an account of the books. In case of a person leaving the Office, and going to work elsewhere, the volume or volumes he may have out are to be returned to the Librarian before settlement with him.
- XVI. All the fines, and any sums which may be contributed by general consent, are to form a fund for the purchase of books or periodical publications for the Library; and the collection of works so formed is to remain exclusively for the use of the establishment in time coming.
- XVII. With a view to lessening the danger from fire, it is ordered that no gas-lights shall on any account whatever be lighted by pieces of paper, but shall be lighted only by the hand-lamps belonging to the various floors. In each floor, therefore, the lamp shall be under the charge of a person appointed by the Manager, and it will be his duty to light the gas at the proper times. After being used, the hand-lamp to be extinguished, and put carefully away on the shelf appointed for it to stand.
- XVIII. By-Regulations, in connection with cleaning or anything else, put up in the establishment for general or special information, are to be attended to, the same as if engrossed in the present set of rules.

All persons employed in the Establishment are understood to have made themselves acquainted with these Regulations, and to have engaged to maintain them inviolate so far as they are concerned.

N.B.: As wages will necessarily cease during illness, Messrs. Chambers earnestly recommend all persons in their employment to connect themselves with Friendly or other Societies, which give pecuniary allowance during Sickness. For general accommodation, a Savings' Bank is established in the Office in connection with the National Security Savings' Bank. Sums as small as One Penny per Week are received; and payments may be had at a moment's notice.

G. A. PETCH

King's College in The University of Durham

A Guide to a Collection of Business Manuscripts

A second edition of the *List of Business Manuscripts in Baker Library*¹ has recently been published. This guide to the business manuscripts in the library of the Graduate School of Business Administration of Harvard University was prepared by Robert W. Lovett, head of the Manuscript Division of Baker Library.

The collection represents an early and continuing effort to preserve and make available to scholars materials for research in the history of business. The collection is large and it contains the records of many types of business; it is strongest for the nineteenth century though many of the collections extend into the twentieth century and there is not a little on the eighteenth. It contains some foreign materials.

The following excerpts from the Preface to the *List* are reproduced, with the permission of Mr. Lovett, in order to give the readers of the BULLETIN who may be interested some indication of the scope and content of the collection and of the types of information in the *List* concerning the individual collections:

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Baker Library, and earlier Widener, were among the first institutions to collect and care for business records on a large scale. The Harvard Commission on Western History had been instrumental in obtaining such materials for Widener even before Dean Edwin F. Gay and Professor Arthur H. Cole in 1916 acquired the Slater Collection for the Business School. These fifteen hundred volumes of records of the many Slater cotton and woolen mills still constitute one of the larger and more valuable collections; and their handling set the pattern for many similar masses of material. With the completion of Baker Library in 1927, it was possible to set up a Division of Manuscripts in reasonably adequate quarters. The organization of the Business Historical Society two years earlier resulted in an agreement whereby manuscripts and books collected by its members were turned over to Baker Library for preser-

¹ The volume (213 pages) may be obtained by writing to Baker Library, Graduate School of Business Administration, Soldiers Field Station, Boston 63, Massachusetts. The price is \$1.50.

vation. Charles H. Taylor, for many years president of the Society, was an especially generous donor. Many purely business collections were transferred from the other Harvard libraries; and the Boston Public Library and the New England Historic Genealogical Society deposited materials on an indefinite loan. Soon the collection numbered thousands of volumes, ranging from a single account book of a Colonial farmer or storekeeper to the hundreds of volumes of the Slater, the Heard, or the Trotter Collections.

The depression years saw a decline in collecting activities, but the groundwork had been so well laid that materials continued to come in, almost unsought. Available space was by then so limited that policies of selection had to be established whereby materials would not be accepted unless they related to New England industry, were fairly complete in coverage or of early date. In a few cases collections already received were offered to other institutions to which they more appropriately belonged. Thus certain Connecticut materials were given to Yale, various Michigan collections were turned over to the University of Michigan, and additions were made to the Chicago, Burlington and Quincy Railroad Collection in the Newberry Library. With the beginning of World War II, space needs on the part of the armed services resulted in a virtual suspension of activities of the Manuscript Division. In 1948 the Division was re-established in quarters on the second floor of the library, where a reading room and office-work room are maintained.

Persons familiar with the old *List* may wish to know what have been some of the significant additions. The number of entries relating to farming have increased four times, those relating to railroads, seven times. Entries for ocean shipping have jumped from forty-four to one hundred and fifty-six; general store entries from fifty-eight to ninety-three. It should be remembered that these figures represent collections, not volumes. An examination of collections containing more than one hundred volumes acquired since 1932, the date of the old *List*, is of interest. The grocery business is represented by the records of John Bird Co. and Charles Hayward Co., wholesale grocers of Rockland and Bangor, Maine, and by the papers of the Whittemore family, who carried on a general store in Fitzwilliam, N. H. Railroad materials include the large Boston & Albany Collection, comprising early records of the Boston & Worcester and Western Railroads, and the Old Colony Collection. Publishing is represented by the records of the Boston Transcript and, a collection but recently received, those of E. C. Allen, who published books and farm magazines in Augusta, Maine, in the late nineteenth century. Wholesale activities, including importing, exporting and shipping, are the subject of the Comstock Collection, the Hunnewell papers, and the Henry Shaw Collection. Additions to the textile holdings include early records of the Nashua Manufacturing Co., accounts of the Pepperell Manufacturing Co., and the files of two firms manufacturing textile machinery, the Saco-Lowell Shops and the Whitin Machine Works. Other collections of interest include the volumes and photographs from the museum of the American Steel & Wire Co. in Worcester, records of the Waltham Watch Co. and of Reed & Barton, silversmiths. An important foreign collection received during this period consists of fifteenth and sixteenth-century account books and letters of the

Medici-Tornaquinci family. The collections as a whole, however, are still strongest in the textile and shipping interests of New England firms.

The form which the list follows has been suggested by the demands which the material will be most generally called upon to satisfy. Five important questions have been answered, wherever possible, in regard to each collection: (1) the industry, (2) period covered by the material, (3) name of firm, (4) location of the business, and (5) general estimate of quantity of material. In addition to this information, wherever possible or particularly desirable, some fuller description of the nature of the records has been included. In many cases sufficient research for information which would permit an adequate estimate has so far been impossible. Under such circumstances there has been no attempt to describe the material further than in regard to the five points mentioned above. The source of the material has been indicated for all gifts and deposits, with the exception of material transferred from, or still in, one of the other Harvard libraries. An alphabetical list of donors has been placed at the end of the volume.

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Foreign collections . . . are arranged in language groupings, with the appropriate letter (E for English or British materials, F for French and the like) preceding the number. Where American or Canadian interests were responsible for the enterprise, the entry is in the main body of the *List*, without respect to the location of the branch office or the language used. Many of the English items are single volumes of manuscript, originally part of the Foxwell Collection in the Kress Room. For the first time selected business collections in Houghton Library have been included; logbooks and theatrical accounts are particularly numerous. All such items have been marked with an asterisk. Baker Library's fifty logbooks and Houghton's sixty-four have been recorded by date in one list, at the end of the section on Ocean Shipping. The names of the ships are listed alphabetically in the index under the heading, *Ships*.

Personal, company, and geographical names have been listed in the index, but subject indexing was not attempted, except for the recording of industry classifications by which the *List* is itself arranged. . . .

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There are no formal rules for the use of material in the Manuscript Division. A Register of visitors is maintained, and it is appreciated when a visitor can give notice of his visit beforehand. Parts of many large collections are stored in crates in basement areas and time is necessary to have these brought to the Library. Occasionally a donor has placed restrictions upon use of a particular collection. Widener Library's filming facilities are available, and there is a film reader adjacent to our Manuscript Division. The Division Office contains Collection Folders for many of the large collections; these describe the content of the collection by series and often furnish details as to the history of the company. In addition, many collections have been described in the *Bulletin of the Business Historical Society*, a file of which is maintained in the Division Office.

Many subsidiary collections have grown up about the manuscripts. Isolated stock certificates, charter parties, bills, and similar items have been placed in a file of Business Instruments. Clippings, advertisements, and circulars have been classified in accordance with the industry classification and placed in folders in vertical files. The photograph collection is extensive; all framed pictures in the possession of the School are recorded in the Manuscript Division. In addition, there is a large collection of industrial photographs, classified by industry number and arranged in three groupings by size. There are files of photographs of economists and business leaders and a collection of cartoons, many of which were part of the Foxwell Collection. Numerous materials which, because of their format require special treatment, have been grouped together as Exhibits. Here are fairly substantial collections of trade cards and paper money, and such curiosities as an abacus, a fire mark, or a piece of wooden water main. These materials have not been recorded in this *List*, but they are available (in many cases there are separate catalogs of them also) in the Manuscript Division.

More extensive information concerning specific collections may be gained by addressing the Manuscript Division of Baker Library. . . .

Editor's Column

"The First Railroad Rates" is the final article of a series that has appeared in the *BULLETIN* in 1951 on the early history of the administration of four Massachusetts railroads. In the present issue, Professor Kennedy shows how early rate policy was developed and how it worked. In his three earlier articles the author dealt with preliminaries to the organization of the early railroads, the membership, methods of operations, and work of the boards of directors, the business side of constructing the railroads, and the development of the administrative and operating organization.

In the preparation of his forthcoming book on railroad executives, Professor Thomas C. Cochran has used as source material the papers of some sixty American railroad executives of the second half of the nineteenth century. His article, "The Executive Mind: The Role of Railroad Leaders, 1845-1890," presents something of the problems faced and the techniques used in analyzing the data collected.

The history of business in the Spanish Southwest of what is now the United States is nearly a closed book to students of business history. In "The First Chartered Bank West of the Mississippi: Banco Nacional de Texas," Professor Castañeda opens that book for us to a page which records a curious episode, the brief existence of the first "bank" established under governmental auspices west of the Mississippi and, indeed, in Mexico. The author of the article is a well-known scholar in the field of Latin-American History and has recently completed a history of The First National Bank of San Antonio.

Mr. G. A. Petch in "A Mid-Victorian Employer on Factory Management" gives an interesting glimpse into an employer's attitude towards, and relations with, the workers in a Scottish factory about a hundred years ago. This is not the traditional picture of the factory manager of the time. Indeed, the whole field of employer-employee relations and labor management is one which has been nearly completely neglected by historians, the existing studies in the general field of labor having been written largely from the point of view of labor's problems and attempts to improve labor conditions through labor organizations and labor legislation.

Essential to research in the history of business are the original records of business concerns. Many libraries have come to recognize this need and are collecting business records and making them available to scholars. A pioneer in this field was the Baker Library of the Graduate School of Business Administration, Harvard University. The *List of Business Manuscripts in Baker Library* is an excellent guide to the collections brought together at Harvard over some 25 years.

We wish to call to the attention of our readers that there will be a joint meeting of the Business Historical Society and the American Historical Association at the Hotel Statler in New York on Friday, December 28, at 2:30 p. m. The program will be as follows:

"The Mercantile House of McKinney & Williams, Underwriters of the Texas Revolution," Joe B. Frantz, The University of Texas.

"Labor in the Early New England Carpet Industry," Nancy P. Norton, Harvard University.

"Werner Sombart and Business History," Vincent P. Carosso, Carnegie Institute of Technology.

Acknowledgments

The Society wishes to acknowledge receipt of the following material during the current year:

From American Optical Company, Southbridge, Massachusetts: *Annual Report for 1950*.

From American Petroleum Institute, New York City: *Quarterly*, Spring, Summer, and Winter, 1951; *Proceedings*, Sixteenth Mid-year Meeting, Division of Refining, *Refining*; also, *Proceedings*, Thirtieth Annual Meeting: Section I, *General Sessions*; Section II, *Marketing*; Section III, *Refining*; Section IV, *Production*; Section V, *Transportation*.

From Davison Publishing Company, Ridgewood, New Jersey: *Davison's Rayon and Silk Trades*, 1951; *The Standard Guide*, 1951; and *Davison's Textile Blue Book*, 1951.

From Georgia Historical Society, Savannah: *The Georgia Historical Quarterly*, currently.

From Historical Society of Western Pennsylvania, Pittsburgh: *Western Pennsylvania Historical Magazine*, currently.

From National Archives, Washington, D. C.: *Annual Report on the National Archives and Records Service*, June 30, 1950; *Fifteenth Annual Report of the Archivist of the United States, 1948-49*; *List of File Microcopies of the National Archives, 1950*; *National Archives Accessions, July 1-September 30, 1949*, no. 39; *Tenth Annual Report of the Archivist of the United States, 1943-44*.

From National Provisioner, Chicago, Illinois: *Convention Report—Proceedings of Tenth Annual Meeting*; and *The National Provisioner*, weekly issues.

From Northern Pacific Railway Company, New York City: *Fifty-fourth Annual Report of the Northern Pacific Railway Company for the Year Ending December 31, 1950*.

From Oregon Historical Society, Portland: *Oregon Historical Quarterly*, currently.

From Philosophical Society of Texas, Dallas: *Proceedings*, for 1950.

From Rhode Island Historical Society, Providence: *Rhode Island History*, currently.

- From Southern Pine Association, New Orleans, Louisiana: *Weekly Trade Barometer and Supplement*, currently.
- From State Historical Society of Missouri, Columbia: *Missouri Historical Review*, quarterly.
- From State Street Trust Company, Boston, Massachusetts: *Town and City Seals of Massachusetts*, Vol. No. 2.
- From Texas State Historical Association, Austin: *Fifty-fifth Annual Meeting*; and *Southwestern Historical Quarterly*, currently.
- From University of Illinois, Urbana: *Special Bulletin No. 7*, "An Accounting Technique for Reporting Financial Transactions."
- From University of Maryland, College Park: *Studies in Business and Economics*, "Baltimore in Export Trade," September, 1951.
- From University of Oregon, Eugene: *Oregon Business Review*, currently.
- From University of Washington, Seattle: *Pacific Northwest Quarterly*, currently.
- From William and Mary College, Williamsburg, Virginia: *William and Mary College Quarterly*, currently.
- From Wyoming State Department of History, Cheyenne: *Wyoming Annals*, currently.

FOREIGN

- From Biblioteca Nacional, Buenos Aires, Argentina: "Al Borde de una Nueva Era . . . con Gas Natural"; "Boletín Bibliografico Argentino," December, 1945, December, 1946; *Business Conditions in Argentina*, July-August, October-November, 1947, October, 1949, January, 1950, July, 1950; "Discurso del Presidente de la Nacion Argentina-General Juan Peron; *Editorial Sudamericana S. A.*, No. 1, 2, 3, and 4; "El Gasoducto Presidente Peron a traves de la Cronica Periodistica, 1949"; "El Legado de San Martín," 1950; "Escribe-Eva Peron"; "La Argentina de Ayer y de Hoy," by R. P. Herman Benitez; "Los Poetas Argentinos Cantan al Libertador"; "Memoria y Balance General del 57° Ejercicio Correspondiente al Año 1948"; "Proyección Social del Martín Fierro," by Horacio Rega Molina; "San Martín-en la Historia y en el Bronce."
- From Ministerio de Salud Publica y Asistencia Social, La Plata, Argentina: *Memoria*, May, 1950, December, 1950.

- From Bank of New South Wales, Sydney, Australia: *Annual Report and Balance Sheet for the Year Ended 30th September, 1950*; and *Review*, currently.
- From Commonwealth Bank of Australia, Sydney: *Report and Balance Sheets 30th June, 1950*.
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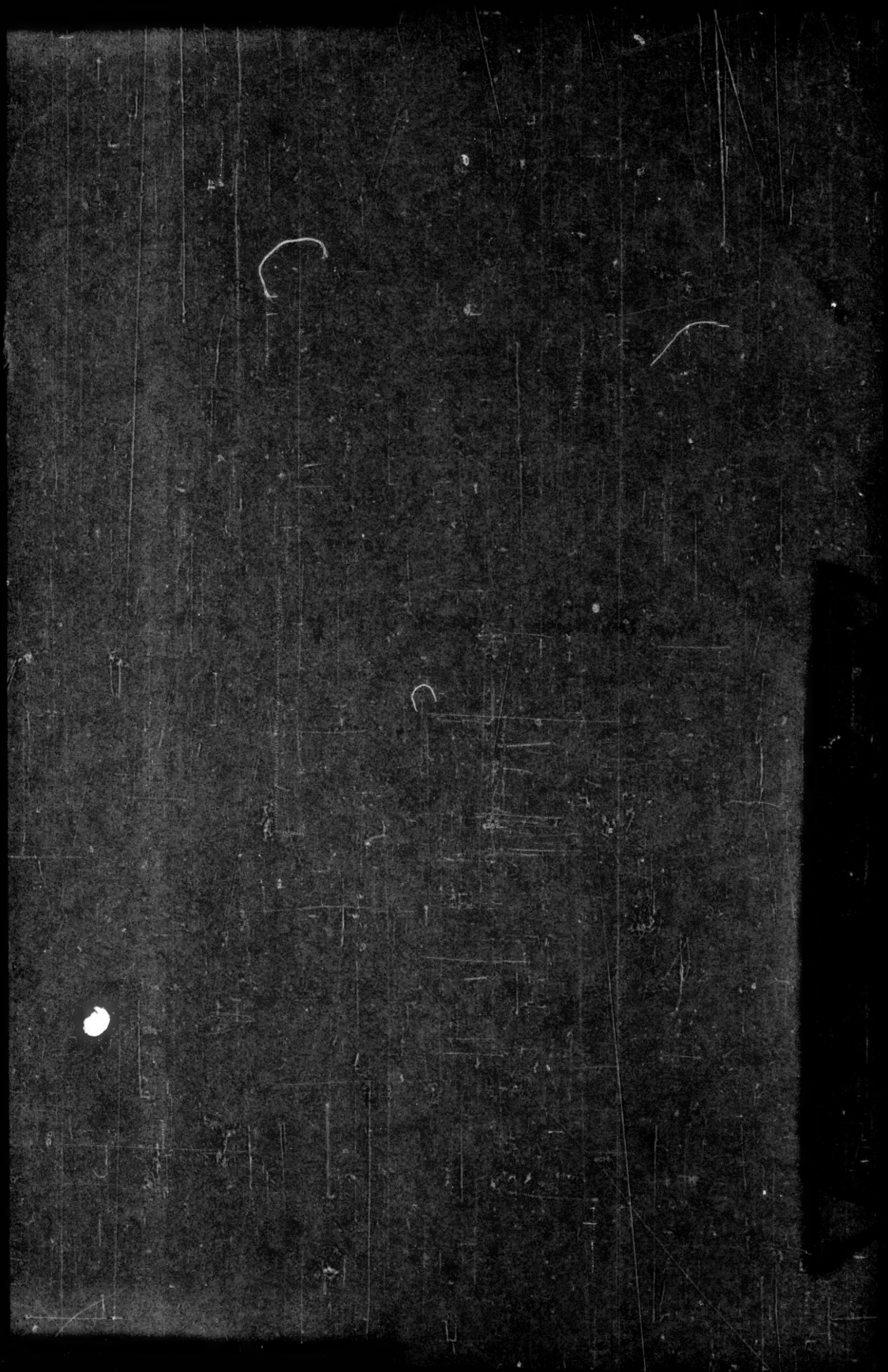
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